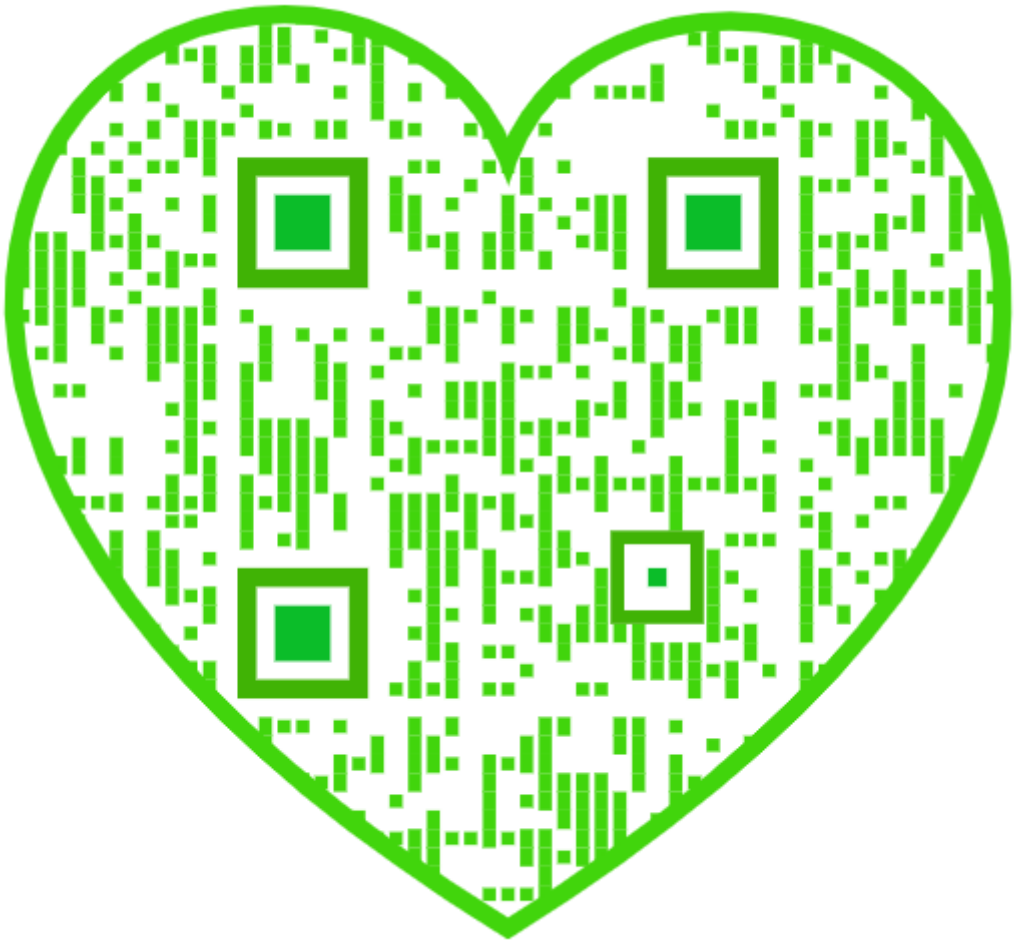

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STRIKES

AND

SOCIAL PROBLEMS

BY

J. SHIELD NICHOLSON, M.A., D.Sc.

PROFESSOR OF POLITICAL ECONOMY IN THE UNIVERSITY OF EDINBURGH

"Where shall we find a man that is willing to serve God *gratis*?"

Thomas à Kempis.

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PREFACE

THE contents of this volume in their original form were, for the most part, given as addresses during the last five years, and were intended to deal in a popular manner with various social problems.

The first six treat specially and directly of the conflicts between Labour and Capital, and of the interests of both in conciliation.

The next four, though dealing indirectly with the same topics, are designed to show more generally the importance of economic principles in legislation and administration.

The last two were suggested by a voyage around Africa, and are intended to illustrate the application of these principles in undeveloped countries. One of the best examples, perhaps, of the necessity of constantly appealing to the most elementary and generally admitted principles is furnished by the continuance under British dominion of slavery in Zanzibar.

As the best mode of defence is often attack, and the best mode of illustration is often contrast, it has been impossible to avoid controversy. In the case of

a prize-fighter it is always taken for granted that in any display of his science he gives and receives punishment without malice. Is it too much to hope that at this time of day the political economist may claim some part of that indulgence so readily accorded to the natural man? At any rate I shake hands with my opponents, and for more particular explanations and apologies I beg to refer my reviewers to the essay on "Political Economy and Journalism" (*infra* Essay VIII.)

I am much indebted to Mr. A. B. Clark, M.A., for the Index, and to the proprietors of various journals for the privilege of republication.[1]

J. SHIELD NICHOLSON.

THE UNIVERSITY OF EDINBURGH,
January 1896.

[1] Essays V. and VI. have been transferred from my book on *Money and Monetary Problems*, I. and VII. were first published in the *North British Economist*, III. in the *Contemporary Review*, VIII. in the *Economic Journal*, IX. in the *Times* and in the *Journal of the Statistical Society*, and X. in the *Scotsman*; Essays II., IV., XI., and XII. have not been published before.

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I

STRIKES AND A LIVING WAGE[1]

ABOUT three months ago it fell to my lot to take part in the meetings of the British Association at Nottingham. One of the items on the list of excursions was the inspection of a colliery. Owing to the great coal strike, however, this pleasure was denied us, but by way of recompense we saw some features of the strike itself. Two of these were constantly forced on the attention: it was impossible to go about without meeting numbers of soldiers and policemen; and equally in evidence were numbers of men with various kinds of money boxes. The military were keeping order, and the colliers were asking support for the strikers. I must say it struck me that both sets of men seemed heartily sick of their task; and no wonder, for, to give things their proper names, we were confronted with coercion on one side and pauperism on the other.

When laws are maintained by military force, and able-bodied men appeal to the charity of the public for necessaries, it needs no showing that there is something

[1] Address to the Edinburgh Chamber of Commerce, December 1893.

seriously wrong, and that, if possible, a remedy should be provided. Under the circumstances, then, when people were looking for remedies on all sides, it was natural to ask the members of the Economic Section, Has not political economy something to say? What is the good of your science if you cannot apply it to practical problems? We were reminded that, at a former meeting of the British Association—I think it was at Belfast—the members had succeeded in bringing to an end a local strike, and it was insinuated that something must have gone wrong with political economy in these latter days, as it was now so powerless. When the question was put to me, I replied in the most approved Scottish manner with another question: What are the facts of the case? The ancient philosopher who offered to move the earth wanted something to stand on, and we lesser philosophers of to-day want something to stand on, even to reopen a coal mine. But to the question, What are the facts? I could get no answer, or rather I got too many answers—all of them different. Take, for instance, the actual point in dispute, the 25 per cent reduction. Of course, the first and natural impression was that the reduction referred to the gross earnings, and suddenly to take away a quarter of a man's wages seemed a very serious matter. But, on inquiry, we were told that the reduction only referred to the exceptional rise that had taken place gradually since 1888—a rise of 40 per cent. Well, then, that looked as if the wage of 1888, being left untouched, one quarter was to be taken from this 40 per cent rise, still leaving, compared with that year, a rise of 30 per cent.

This would be a reduction of about 7 per cent in the gross earnings. But, again, on appealing to higher authority, we found that this also was a mistake. The 25 per cent reduction was to be applied to the wage of 1888, and the rise that had been obtained since was to be left intact, the effect on the gross earnings being about 17 per cent reduction.

I am afraid this will require an arithmetical illustration. Suppose, then, that wages in 1888 were on the average 30s., and that by 1893 they rose 40 per cent, namely, to 42s., the meaning of the 25 per cent reduction was that you were to take a quarter from 30s., *i.e.* 7s. 6d., reducing it to 22s. 6d., and to this you were to add the 12s. rise, making the total 34s. 6d.

I find that the President of the Manchester Chamber of Commerce explained at their last meeting that this was the true interpretation, although he regretted to see that some of the most active leaders of the Miners' Federation said the reduction applied to the gross present earnings, whilst many of the public thought it referred only to the 40 per cent rise.[1]

I for one cannot conceive why such a serious proposal should have been couched in the form of an arithmetical puzzle, with the correct answer the one that was least expected. Perhaps there was some

[1] In an article in the *Economic Journal*, December 1893, entitled the "Coal Dispute of 1893," Mr. C. M. Percy, apparently a coal owner, states that the 25 per cent reduction meant that the advance of 40 per cent was to be reduced to an advance of 15 per cent on the prices of 1888—"in other words, 17½ *per cent off the gross earnings.*" In the very next article, entitled, "The Lock-out in the Coal Trade," Mr. Clem. Edwards, apparently one of the leaders of the men, says that "the immediate cause of the trouble was a request of the coal owners that their men should accept a *reduction of* 25 *per cent in wages.*"

vague idea that the miners would see that under the scheme proposed they still would have 4s. 6d. above the standard of 1888, assuming that to be 30s. But I venture to say that anything to do with money should be put in the clearest and most straightforward way; the reflections and consolations can be introduced after. Take a converse case by way of illustration. Suppose that in 1888 the income-tax was 9d. in the £, and that it had been reduced gradually to 6d. in 1893, and suppose that the Chancellor of the Exchequer wished to put on another 1d., do you think any tax-payer would bless him any the more if he announced that he proposed to make a reduction on the standard tax of 9d. in 1888 of 22⅔ per cent? Yet that would be another way of saying that he proposed to add 1d. to the present 6d.

To return to the reduction in the miners' wage, the mode of announcement made a great many people, including the leaders of the men, suppose that the men were to be suddenly mulcted of a quarter of their earnings, whilst others thought it was to be a quarter of an exceptional rise, and thus public sympathies were divided. Now it appears that the masters really meant something between the two—about 17 per cent of the total wage—and in all probability this was a somewhat high demand with a view to a future compromise.

If the mode of announcement was intended to soften and conciliate, it competely failed, and the implied assumption that 1888 was to be considered a standard rate naturally led the men to ask whether 1893 might not be taken as the standard, and that is perhaps the paternity of the living wage.

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The search for facts in other essentials seemed equally vain. What were profits? Could they bear a reduction? Some people told me that mines they were concerned in had been losing money out of capital for a considerable time, that is to say, instead of profits there were losses. Other people told me that there were mines in which other people (not themselves) were concerned where the profits ranged from 10 to 40 per cent.

It was the same with wages. It was easy to get figures of rates actually paid, but that is not enough. We want to know also the regularity of the employment, and how much any irregularity is due to want of employment, and how much to holidays. The rate of wages is one thing, but the earnings over the year is quite another, and vastly more important. Further, we must ask, especially when we come to a living wage, how far will the money wage go? What about the price of food, clothes, and other articles of consumption?

It was obviously hopeless for any outsider to form an opinion on such a confused mass of evidence, and on the merits of the question at issue the economist can say no more than the chemist. But, at the same time, there were some illustrations of economic principles in reference to strikes to which I propose to call your attention. In the first place, however, I must apologise for the extreme simplicity of the principles. I am afraid I shall be accused of wasting your time with speaking plain common sense. Allow me an illustration. In recent years a great change has come over the practice of physic, according to the best authorities. Instead of dosing and drenching, they order fresh air

and sunshine; and instead of the old delicacies for the invalid, they insist on a plain, simple diet. Now, some people, when they imagine that one or more of their vital organs are out of order, and the physician simply orders fresh air and sunshine, are not only sceptical, but offended. Every doctor will tell you that the poor, in particular, like their medicines to be strong and nasty. Well, there is a fashion in economics as there is in medicine. Unfortunately, however, whilst doctors of medicine have been steadily advancing towards simplicity and reliance on nature, the doctors of economics have been performing the reverse movement, and for all social and industrial evils they propose highly complex and artificial remedies. Now, in my opinion, we want more fresh air and sunshine, and not so much quackery. But to leave metaphor, let me remind you that in every department of life we are apt to overlook what is simple ourselves, and we constantly take for granted that other people could not have overlooked anything that ought to be obvious. And it seems to me that in strikes this is especially the case, as is shown by painful experience.

What is a strike? It is not a battle; it is not a revolt of slaves against their owners; it is not even a political agitation. A strike is in reality a peculiar method of doing business. When a strike ceases to be conducted on business principles, when it is prolonged not with the idea of gain, but on account of class hatred, or for the propagation of revolutionary ideas, it fails in its primary function, it is not business. No strike ever began simply because the working classes wished to injure the masters and to destroy

their capital; they are not so foolish. Nor are strikes undertaken, in the first instance, to aid a political party, even of the revolutionary kind. A strike, to take the ordinary case, is intended to enforce a rise or resist a fall in wages. The strikers think they can make a better bargain by simultaneous combined action; in other words, it is partly a case of refusing to accept a certain price and partly a case of exclusive dealing. It is only at the later stages that the real issue becomes confused and the business element is lost sight of, and it is then that the most serious evils arise.

But, I should like to know, how can a strike be conducted on business principles unless the facts are known? And the first remedy I would suggest is, not more legislation, but more light. It is quite true that a board of conciliation or of arbitration cannot enforce its recommendations; but it can throw light upon the subject in dispute, and point out what is for the interest of both parties. And there can be no doubt that the pressure of public opinion would be brought to bear on the side of justice. The great difficulty now, in bringing public opinion to bear, is that the facts are not known. But if the question had been thoroughly argued by a board of conciliation, and if the contentious matter had been submitted to qualified arbitrators, public opinion would declare strongly against the side that rejected the decision. It is not necessary for the public to know the details, or even the main facts of the case; it is enough if they accept the statement of the arbitrators. Some people profess to think little of the force of public

opinion; they want written laws, courts, and penalties to remedy every abuse. But if they would reflect, at every turn of their lives they are more or less under public opinion, and as a matter of fact their conduct is moulded much more by public opinion than by law. The press of this country can inflict greater punishment than the old pillory, and what most evil-doers dread is not the penalty of the law, but the publication of it. To point the moral with the great English strike: If it could be shown that the misery of thousands of women and children could be traced to the refusal to accept a fair decision, or to culpable ignorance on the part of the leaders of the men, even now the strike is over, the public censure would act in the way of prevention for the future. We cannot suppose if the leaders of labour are so fond of flattery as the practice of politicians leads us to believe, that they would bear with perfect equanimity the opposite treatment. And what is true of the men is still more true of the masters; for if they insisted on an unfair demand public censure would be proportionately stronger, because the interests of the many, including the helpless and innocent, are sacrificed to the purely selfish interests of a few.

I said a strike is in its essence a peculiar method of doing business. I shall now try to show that it is a peculiarly bad method even at the best, and that it is especially bad for the men. During a strike the masters lose the profits, and they also lose something in the upkeep of their capital, as, for example, in keeping the mines free of water. But, on the other hand, they can get rid of their accumulated stocks

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at very high prices, and these prices will not reach their natural level till some time after the strike has concluded.

And here I may remark in passing, that for the masters an accumulation of stocks is an excellent insurance fund against strikes; and I observe that the leaders of the men—on this very account—are now advocating a restricted output as one of the necessary supports of a living wage. I will deal with this matter presently; my point now is, that during and after a strike, whether successful or not, the masters receive some compensation for their losses, in the form of higher prices for their goods. It is also important to notice that it is only the profit and not the capital that is lost; the coal remains in the pit, the shafts are not filled up, and the machinery escapes wear and tear.

But consider the question from the point of view of the men. Their loss during the strike is an absolute dead loss; the weeks spent in idleness are gone for ever. According to the oldest proverbs and the latest science, time is looked on as a flowing stream. If we take a mill as representing capital, we may liken the mill stream to the hours of labour; if the stream works the mill, every hour yields food, but when the stream is turned aside, it flows past once for all; the mill remains, but the hours and weeks and months have totally vanished. Let us translate the metaphor into simple arithmetic. The great coal strike lasted seventeen weeks. Taking the figures I have already given, the masters wished to reduce wages from 42s. to 34s. 6d., that is to say, 7s. 6d. a week. During the

time of the strike the men lost this 34s. 6d. for over seventeen weeks—the amount would be nearly £30. But it will be said, and it was said with a show of triumph, that the men were victorious, and that they have gone back to work without a reduction. That is true, but it is easy to show that they must work continuously for a year and a half at this higher rate before they will have made up the loss during the strike. As a matter of fact, they consented to a possible revision in less than three months. If this is a Waterloo, as we were told at the time, it is a Waterloo in which the miners play the part of the French.

Suppose, however, that wages are not reduced for eighteen months, then by the end of that time the miners will have earned just the same as if they had continued at work all the time at the reduced rate. The only difference is that in the one case they would have worked ninety-five weeks, and in the other seventy-eight only. It may seem at first sight as if they had made a gain in this way, as they would have given seventeen weeks less time for the same aggregate wages. The gain is as fictitious as the victory. The seventeen weeks was a period of wretchedness, not only to the men, but to their families. Savings gave way to debts, and debts to starvation. In some cases the masters themselves fed the children of the strikers, in others the only resource was public charity. Now, an addition of so much to wages in the future is no equivalent for these losses; the money may be the same, but the balance of comfort is altogether different. What miner would have parted with 7s. 6d. in the

strike to be repaid 7s. 6d. after a year and a half? To judge by similar cases, he would not have given his ready money for seven times the amount at the distant period. The 7s. 6d. during the strike might give his children food for a week, but the same sum on the top of 34s. 6d. would only bring extra comforts, and not indispensable necessaries.

Another point to consider is that it by no means follows that, supposing wages do keep up for a year and a half, it will be owing to the strike. If they had been reduced, they might have risen from natural causes.

Again, every week the men remained on strike the price of coal rose, and stocks were cleared off. This artificial and temporary scarcity at last made it quite possible to give the old rate of wages in the meantime, and in other parts of the country the miners struck for or obtained a rise owing to this very cause. This again shows the hollow nature of the supposed victory of the men.

There is one other point in connection with strikes which I wish to notice before coming to the living wage, and it is a point of crucial importance. During the last fifty years the general rate of wages in this country has risen greatly, and it is true that during the same time there has been a steady advance in the organisation, numbers, and wealth of Trade Unions. At first sight, then, it may seem natural to conclude that the rise in wages is due to the Unions, but this conclusion is by no means obvious or certain. According to the Census Returns, the most numerous industrial occupation is that of domestic service, and the next

most numerous that of agriculture. In both instances the rise of wages has been considerable, and in the one case there have been no Unions, and in the other none of any importance. There are also many other industries in which wages have advanced without Unions; and when we look beneath the surface, we soon discover that the power of Unions to raise wages is extremely limited. All the Unions can do is to take advantage of favourable conditions; they cannot create these conditions. During the last fifty years there has been an enormous expansion of trade, and immense improvements in the methods of production. More has been produced, and there has been more to divide; earnings—both wages and profits—have risen from natural causes. The utmost the Unions can possibly claim is that they have secured to labour a greater share of the national income at the expense of profits. They certainly cannot claim that they have increased the total wealth; they have neither invented machinery, nor opened new markets, nor extended credit. On the contrary, by strikes and restrictions, they have probably diminished the national income, and given a shock to security. It is even very doubtful if, on the whole, in recent years they have increased wages at the expense of profits. Under the fierce competition of modern times, it is very hard to retain exceptional profits; and if the profits disappear in low prices, they cannot, at the same time, go to raise wages. The Trade Unionists themselves seem to be becoming aware of this fact, and consequently we find them crying out for all sorts of devices to keep up prices. In a word, they wish to act in the style of trusts and

syndicates, and to create monopolies. Fortunately, experience shows they are not likely to succeed; if they did succeed, they could only injure the public, and by their own showing at least two-thirds of the public are the working classes themselves. And that is one of the very simple things that is constantly overlooked. We hear the leaders say to the men: You must make the public feel your power; you must put Glasgow in darkness, and bring London to the verge of starvation. But the public that will suffer are the working classes themselves.

I think I have said enough to show that a strike is a very bad method of doing business, especially for the men. But, I shall be told, strikes are not merely business; they are intended to secure the general welfare of the men, and in particular a living wage.

What, then, is a living wage? And how are strikes likely to assist in its attainment? Before attempting to answer these questions, allow me to make a few remarks on high wages.

Even granting that the general condition of the miners or other workmen when in ordinary employment is as good as the most optimistic views would suggest, we should all be willing to allow that a still further rise in their standard of comfort would not only be desirable in itself, but a sign of national prosperity. There was a time—in the pre-Adamite period before political economy began—when it was seriously maintained that the lower wages were, and the worse the condition of the labouring poor, so much the harder they would work, and so much greater would be the national wealth. The doctrine was even

pushed so far as to maintain that dear food was a good thing, because people had to work more to obtain as much as they required, and that even women and children were forced to assist. But this miserable superstition, that low wages caused greater productive power, has long since given way to a generalisation that is based on experience, namely, that cheap labour is generally dear labour, and that high wages tend to increase efficiency.

To resume: We all agree that a fair day's wage for a fair day's work is a most reasonable and attractive ideal. Indeed, we may go further and say that the higher the wage and the less the work, provided always that other classes are not injured, so much the better. All that this means from the national point of view is, that the greater the productive power of a given amount of labour, so much the better.

But it is one thing to recognise an ideal, and, unfortunately, quite another to carry it into execution. Many things are desirable, but few are attainable, and in some cases the method of acquisition vitiates the result. To pass from generalities to our particular concrete case, I maintain that to suppose any class of labourers can obtain a fair reasonable wage simply by refusing to work below that rate, is a gross and mischievous fallacy. It is, however, a fallacy that, for a very simple reason, it is by no means easy to dispose of, at any rate in the case of those who are interested in maintaining it.

The difficulty in exposure lies in the multitude of alternatives. As soon as you show that this minimum —this living wage—cannot safely draw upon one

resource, at once some other fund is made available. The colliers, for example, would supplement any deficiency in their minimum by reducing profits. If it is said this might close the mines, then they point to the royalties, and propose to nationalise the mines. If it is shown that even this device might fail to keep up the minimum, they cast their net wider. They would make a federation of labour in general, and take away the whole mass of profits. If the orthodox economist still pursues with his old-fashioned weapons, they point to the great body of consumers; every one needs coal, and therefore the price ought to be such as to give those who supply this necessary a fair wage. If it is still pointed out that there is still a fallacy, still a possible leak in the minimum, then they say—if indeed they have not said it before—that Government ought to do something. If Government cannot, a better Government should be devised; and thus we gradually pass from the terms of a contract between the buyers and sellers of labour to all the vague possibilities of social revolution.

I thought it best to indicate briefly these varied alternatives in order to clear the ground. Most of them, involving as they do a social revolution, may be left to the Socialists to discuss. The point of interest to practical people is that next February, when the English coalowners and the miners are to meet to form a Board of Conciliation, it is said that the leaders of the men will again insist on a living wage as an *unalterable* minimum. If they do, no conciliation will be possible, and accordingly it is of the greatest importance that the proposal should be thoroughly discussed before-

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hand. As a contribution to the discussion, I beg to offer a few objections founded on simple economic principles.

In the first place, if a living wage is to mean anything, it must refer to the earnings over a considerable period, say, for simplicity, a year. To get a high rate for one or two days in the week, or one or two months in the year, might mean a starvation wage. In other words, a living wage without regular employment is a delusion. Now, it may be all very well to strike for higher wages, but who ever heard of a strike for more regular employment? Suppose the men absolutely refuse to work for less than a certain rate, what will happen? Some employers with the least productive mines must cease working altogether, and as a consequence there will be an excessive supply of labour. If the labourers agree to share and share alike, the average earnings will obviously be below the living wage. If they are not so communistic, some of them will have to put up with no wages at all.

But, for the sake of argument, let us suppose that the conditions of trade admit of the masters giving for a time this supposed living wage—that is to say, the rate actually current at present, with regularity of employment. What guarantee is there that the conditions of trade will continue? Suppose the price of coal falls, owing to a decrease in the demand. Latterly very great economies have been made in the use of coal, and the process may continue; or foreign buyers may turn to other sources of supply. In any case, if the demand falls off, prices must fall; and if prices fall, wages must also fall, for it is out of the price received for the product that they are paid.

But so far we have only looked at demand; now look at supply. The living wage—the high rate with regular employment—will keep the supply of coal at a high level, and not only so, but it will keep the supply of miners at a high level. Labour will be attracted from less favoured industries, and the children will be brought up to the same calling. The least that is expected of the living wage is that it will support in comfort the miner and his family. We know, as a matter of fact, that in recent years the number of miners has increased more than in proportion to the output of coal, and what is to prevent a further increase if we assume that wages can be kept up artificially? I say artificially, for when the advocates of the living wage are confronted with a possible fall in prices, they say prices must be kept up, and if they are asked, How? they say, By a restricted output. Well, then, I ask, even supposing you can keep up wages in this artificial way, how are you going to keep down the supply of labour?

But for the sake of argument we have gone much too far. Wages cannot be kept up in this manner. The idea involves a contradiction. If the present rate of wages with the present regularity of employment just gives a living wage, if you restrict the employment, and that is the only way to restrict the output, the earnings must fall below the living wage. If 8s. a day for five days a week is a living wage, 8s. a day for four or three days a week is less than a living wage; that is not political economy, it is simple arithmetic. We must also remember that if the price of coal is artificially raised, the demand will fall off, and the out-

put may be more restricted than the promoters of the scheme intended.

It seems to me that it would be a waste of time to bring forward other objections, when those already advanced are fatal to the proposal; but, before I conclude, allow me to say a few words on the broader aspects of the question.

We are all agreed, I suppose—masters, men, and outsiders alike—that strikes are an evil, and should never be resorted to except as a last resource. Well, then, it is most important to affix the responsibility on the persons who initiate or prolong a strike without due cause. I know I shall be accused of denouncing Trade Unions and glorifying capital if I say a word of dispraise or even of caution to the leaders of the men. But it is part of my duty to observe facts, and to try to discover the strength and results of various social tendencies. It is of no part of my interest—in the ordinary selfish sense of the term—to appear to defend capital and to attack labour. On the contrary, with the present fashion of politicians vying with one another in flattering the labouring classes, and promising all kinds of boons, it is an ungrateful task to throw cold water upon what seems the warmth of charity and kindliness. Allow me, then, to state, by way of excuse, that the first public lecture I gave, about sixteen years ago, was to working men on the origin and functions of Trade Unions. At that time it required some courage to give the Unions due justice, and I well remember the amazement of most people of the middle classes when they were told that strong Unions might be very useful institutions. I have been abused, in the

most extreme language the rules of polite society admit of, for defending Trade Unions, and now I shall, no doubt, be equally abused for attacking them. The matter is of no consequence except in this: I may at least claim to be impartial. It is not pleasant for a man at my time of life to be accused of being reactionary, old-fashioned, and fossilised. But a public teacher has first of all, and last of all, simply to look at the truth. Well, then, I have to confess that in my opinion Trade Unions have reached a point in their development at which they are threatened with serious dangers. They have often been compared to the old Craft Guilds, and the comparison is instructive in more ways than one. At the very time when England was beginning to acquire the commercial supremacy of the world, when the discovery of America, the Reformation, the break-down of feudalism, and other social forces were causing a vast increase in material prosperity, on all sides there were complaints of the decay of the towns. And what was the reason? The principal reason was that the Guilds, by their selfish restrictions and their monopoly prices, had driven industry to places where it could grow in freedom. Let the Unions be warned in time —the attempt to keep up wages at the expense of the consumer, or to force capital to work without profit, is a suicidal policy. If we once lose our markets no amount of strikes will restore them, and if freedom of enterprise is once lost our markets are lost also, and the living wage will dwindle down to starvation point. The mass of the working men may not be able to reason out the effects of economic tendencies, but their leaders ought to have both the ability and the readiness

to look to the future. But how can we expect even the leaders of the men to take the trouble to study unpleasant facts when too often the leaders of public opinion do not take such trouble, and talk and write as if the industry of a great country could be carried on by sentiment and flattery and vote-catching. If the constitutions of the British working men are not destroyed by the mass of adulterated sweets with which they are regaled, they must have a strong vitality.

In conclusion, let me try to catch the spirit of the times and speak in the prevailing fashion to the leaders of the working men—as a cold-blooded economist I shall gain no attention—let me too try a little flattery. I will, then, compare the leaders of the men to the members of the Cabinet. I will suppose that they have in their hands the arbitrament of industrial peace or war. Well, the most elementary knowledge of history reveals the fact that nothing is more easy than to plunge a nation into war: an insult to a flag, an accident misinterpreted, a phrase of diplomacy a little twisted—the smallest spark will put national feeling ablaze, and let loose the horrors of war. The primary duty of a minister of the Crown is to keep in check the warlike passions of the nation. And the primary duty of the leaders of the men is to foster a spirit of conciliation, and not to arouse class hatred and ill-feeling. The devotion of the men to their leaders and to their fellows naturally excites our admiration; so does the courage of soldiers even in a war of aggression. But we have no sympathy for the generals or diplomatists who make a useless sacrifice of life. The greater the devotion and the courage of the men,

so much greater is the responsibility of their leaders. There was a time—not so long ago—when continental statesmen looked with envy on the British Trade Unions, which they regarded as the greatest safeguard against Socialism and Anarchism. But if they have read the violent speeches and considered the wild proposals recently made by professed Unionists, they will be inclined to change their opinion. Let me conclude by saying that the working classes of this country are at present at the head of the world in efficiency and wage-earning capacity; and that they are so is not due to legislation, or strikes or public charity, but to native vigour and hard work on their own part, and to enterprise on the part of capital. It will be an evil day for Britain, and especially for the working classes, if they begin to think that they can raise wages by threats, and increase industry by shattering security.

I do not wish to exaggerate or to unduly magnify the evils of the moment, but I must confess that to my mind the doctrines recently propounded by the leaders of the men, and by those who profess to sympathise with them, are not only fallacious, but fraught with danger to the national well-being.

II

LABOUR COMBINATIONS AND COMPETITION[1]

PUT in the concrete, the question I propose to discuss is this: How can strikes be prevented? And if not prevented, how can they be most speedily and satisfactorily settled?

There you have an economic problem which at the present time is of the most urgent and pressing importance. This time last year the great coal strike in England was at its worst; in the summer the railway strike in America threatened to assume the dimensions of civil war; and, later still, we have at our doors the strike of the Scottish miners. The last is in magnitude the least, but it would be well if the public generally, and masters and men in particular, would realise how much waste—and more than waste—is involved in this "least." The newspapers have given rough calculations in pounds sterling of the losses in wages and profits in the coal industry, and of the industries affected by it more or less directly; but we have become such a wealthy nation, and so accustomed to millions, that we do not realise the injury in this

[1] University of Edinburgh, October 1894.

way. A strike is a species of warfare—let me take an illustration from military history. The number of miners engaged in the Scottish strike was greater than the soldiers—all told—under the command of Wellington at the battle of Waterloo. And any one who has read Wellington's own account of the materials of which his army was composed knows very well that, physically, morally, and intellectually, his men were far inferior to the Scottish strikers. But these men saved Britain and saved Europe by their sullen, dogged courage. And certainly one redeeming feature in the case of the miners is the loyalty and obstinacy—the same sullen, dogged courage—with which they stick to their cause when they feel it is lost, and to their leaders when they know they are divided. I do not intend to pass an opinion on the point in dispute in this particular case; it is impossible for an outsider to tell whether or not the masters could afford to accede to the claims of the men; my object is simply to bring home to you that besides the mere pecuniary loss there is a loss or waste of moral energy and endurance which, applied in a different direction, would have benefited not only the men themselves, but the whole community. It will, no doubt, be replied that in this, as in similar disputes, a question of principle was involved; that the conflict was not simply over a shilling or sixpence one way or the other, but that the independence and happiness of the miners and their families were at stake—that they were fighting for the principle of a living wage—the misleading name for a high standard of comfort—at any rate for such a minimum as would ensure the comforts and security of civilised human

beings. But if the means adopted to attain this ideal were, as I believe, utterly wrong and based on false ideas as to matters of fact, again we are confronted with a lamentable waste of moral energy. It is this moral element—this mixture of a noble ideal with ignoble methods—that constitutes the great difficulty in all strikes. It has been said, with little exaggeration, that the foundation of all morality is sympathy; and whatever the degree of ignorance, imprudence, jealousy, or covetousness involved in a strike, there is also always a large fund of sympathy. This truth received a remarkable illustration in the great strike at Chicago. The men directly concerned were only those employed by one particular company in one subordinate branch of the manufacture of railway material, but, out of sympathy, the whole industry of that part of the world was paralysed. It is this foundation on human sympathy which renders it so difficult, and in some cases impossible, to enforce the strict observance of the law. I had recently the advantage of a conversation with the American economist Professor Walker, who was himself a distinguished officer in the great civil war, on this very topic of enforcing the law by the employment of force as illustrated in the case of Chicago. He described to me in graphic terms how these riotous crowds consisted partly of those dangerous criminal elements that are found in all large cities, and, to a far greater extent, of men who, in their normal state, were hard-working, honest, and law-abiding citizens, and he concluded: "You cannot fire on such people." No doubt, he admitted, a point may be reached at which firing may be the lesser evil, but to

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fix this point in any case demands not only a knowledge of what is technically right according to law, but what is morally right according to human nature. Precisely the same difficulty arises with regard to charitable relief. On the one side the soup given to little children makes the donor to some extent the partisan and approver of the strikers, and removes so far one of the inducements to peace, and on the other side—well, there is no need to appeal to principles—on the other side you have the hungry children. And here also it may be urged that if they were not in a body actuated by strong moral feelings, the men would not submit to see their wives and families suffer.

It is time, however, to look at the other side of the account in making a rough estimate of the moral elements. Human affairs are always so complex that even the best cause is marred by some of the agencies which it calls into play. Tyranny has been practised in the name of liberty, and cruelty in the name of religion. And in a strike—which is avowedly a species of industrial war—we must expect to discover that the strikers have no monopoly of morality. We shall find, indeed, that in most cases not only is there a waste of moral energy, but that it is turned into positive evil by being applied to wrong purposes.

I have called attention to the bond of sympathy that unites the workers, and makes them to a great extent merge self-interest in the welfare, or supposed welfare, of their class. The worst of it is, however, that this intensification of class interest seems to involve an opposition to the interests of other classes. The masters concerned in the particular dispute are

naturally regarded with hostility, and gradually this hostility is transferred to all masters. The strikers appeal for sympathy to workers in other trades, and as the conflict spreads it seems to become a struggle between labour and capital in general, and not between masters and men in some particular industry. And thus in every strike the idea is spread from one trade to another that the interests of labour and capital are essentially opposed, that the one can only gain at the expense of the other, and even that every loss inflicted on capital is in some way a gain to labour. You see evidences of this in the destruction of property and the means of production that takes place in extreme cases; but more important, though not so obvious, is the growth of distrust and the decay of confidence and good feeling. One of the worst results of a strike is that it makes those who have no real cause of complaint imagine that in some way they are being deceived by the masters. This loss of mutual confidence is in turn the source of other moral disorders. The masters as a body are supposed not to look after the interests of the producers whom they ought to lead; they are believed to be indifferent to the interests of the men so long as they get a good profit on their capital or a good commission on their management. And then, by a natural transition, the blame, at first bestowed on capital, is transferred to the public. The public are regarded as participators in stolen goods. They know, it is contended, or they ought to know, that the price of the goods cannot afford a fair wage and a fair profit, and if the profit is above the fair rate, the wage must

be so much more below. In this way the cry arises that the public must be made to suffer; that they must be made to feel by privation the real value of the toil of labour. And the end of it is that the ill-feeling generated by some local dispute spreads through the nation, and creates a general sense of insecurity. Then, when the whole body politic has become fevered and inflamed, it is supposed that only drastic remedies will suffice, and the way is prepared for an attempt at social revolution. In the meantime, whilst the prophets are prophesying on the ideal future and proposing the nationalisation of everything, the very essence of nationality is being destroyed; for whether a nation seems bound together in name by language, or by political allegiance, or by configuration of territory, the real, living, binding force is the mutual good-will of the people.

It may be thought that I have wandered far from my theme, and that strikers have nothing to do with patriotism and other old-fashioned virtues. But the proceedings of the Congress of Trade Unionists is proof sufficient, at any rate of the danger, of this line of industrial development, or rather degeneration, becoming the path chosen by the working classes. For the outcome of these proceedings, briefly expressed, was simply this, that landowners and capitalists are so unjust, and inefficient, and untrustworthy that their property must be taken from them and handed over to the control of the State. And if that is to be the war-cry of the new political party, the plan of campaign must consist in intensifying this class hatred and distrust; the working classes—the majority—

must be taught that the minority—the men of property and men of education — are only exploiters of labour, who are to be suppressed as speedily as possible.

It is not necessary, however, to anticipate the future in order to see the evils of strikes from the point of view of what may conveniently be termed industrial morality. Let me consider a little more nearly the principles and methods of the most common form of strikes, that, namely, which is intended to enforce a rise or prevent a fall in wages. A strike of this kind involves an agreement of the workers concerned to act collectively, instead of individually, in making a bargain about their wages, with the refusal to work unless certain terms are granted. Thus in place of competition of labour we have combination of labour, which in turn is met by combination of capital; and before considering the price demanded by labour or the rate of wages, we may look at the effects of this substitution—the substitution, namely, of collective for individual action in labour bargains. The change that has occurred in public opinion on this subject during the present century is most remarkable. At the beginning, in the first quarter—for the Combination Laws were not repealed till 1824 — combinations of labourers were looked upon and treated by the law courts practically as criminal conspiracies, and it was not till 1871 that Trade Unions attained, after a long and arduous struggle, their present legal rights, and, indeed, some of the old disabilities remained until 1875. During most of this time the balance of public opinion was strongly against Trade

Unions, and it was taken for granted that although they might do some good as benefit societies, they were useless or mischievous in their attempts to regulate wages. In the course of the last twenty years, however, public opinion has changed greatly and rapidly from one of antagonism to one of approval, or at least of benevolent neutrality. This change is due to several causes. In the first place, the removal of penalties and the grant of legal privileges was accompanied by a diminution of the violent methods which are often the result of violent repression. The oldest and strongest Unions became so orderly that Continental statesmen regarded them with envy as bulwarks against Socialism and Anarchy. Many masters also were found to admit that dealings with the Unions were more satisfactory than with individuals. At the same time, there was a considerable change in the public estimation of certain principles of political economy. Those who had adapted these principles for popular consumption had, in their zeal for simplicity, sacrificed accuracy. They had given the public to understand that in all cases competition must produce the best result, and that in all cases the interference of governments and of combinations must be injurious. A reaction was inevitable. Other popular writers began to point out exceptions, and the exceptions were multiplied to such an extent that many people began to think the principles had vanished. This reaction or conversion has now attained such a pitch that the converted seem to think that individual freedom is certain to be productive of evil results, and that all virtue is to be

found in collectivism. To take a particular example, it is supposed that any rate of wages not fixed by a union is not a fair rate, just as any rent for land not fixed by Government is supposed not to be a fair rent. It is supposed, further, that the only and sufficient remedy for low wages is combination (that is to say, until the nationalisation of all industries is achieved), and that the wages will rise in proportion to the efficiency or consistency of the combination, just as the barometer rises in proportion to the weight of the atmosphere.

It will be instructive, then, at the present time, when the popular admiration of perfect competition is said to be giving way to the new belief in perfect combination, to contrast and compare the two principles. It is so long since any one had a good word to say for perfect competition that a display of its excellencies ought to be as interesting as removing the dirt from an old picture. Well, then, when the dirt is removed what do we discover? What is this ideal of the old economists?—the ideal, that is to say, supposing that industrial competition could be carried to perfection, or, in other words, that the practical difficulties and obstructions could be overcome. You will probably be astonished to learn that, as an ideal, perfect competition is one of the most pleasing ever contemplated by believers in the perfectibility of mankind. The ideal—like every other ideal—is thwarted in practice by various forces and circumstances; but, in considering the great principles involved, the counteracting and modifying agencies may be put aside, to be taken account of later.

If, then, we wish to understand what is involved in perfect competition as affecting labour and wages, we must assume, in the first place, the conditions of a perfectly organised market. The labourers must be regarded as the sellers, and the masters as the buyers of labour. The law that determines the price is the law of demand and supply. Competition of masters tends to raise the price, competition of men to lower it, until, by the higgling of the market, such a price is adjusted that at that price the supply is just carried off. Every one is familiar with this general law in its simplest form; everybody knows that the way to induce buyers to take more of a thing is to lower the price, and the way to induce sellers to bring out more stock is to offer a higher price. Every one knows too that competition tends to make prices in the same market equal. Some buyers might be willing for their purpose to give much more, and some sellers to accept much less, but the actual price given and received will depend on the general conditions. A duke might be willing to pay a cook five thousand a year rather than do his own cooking, and a cook might be willing to accept his keep as wages rather than do his own starving, but the actual market price of a cook will be between the two extremes. And the reason is that under competition all the cooks (making allowances, of course, by a kind of multiplication table for differences in quality), for work of the same kind, must have the same wages.

Thus the first result of the principle of competition applied to wages is that for equal efficiency there shall be equal wages, and no scheme of Socialism, founded

upon reward according to deserts, ever aimed at more perfect equality.

A second result is even more pleasing, but has of late been strangely overlooked. For the very essence of this competition in a perfectly organised market is that at the price all the supply shall be carried off. The few who are fortunate enough to meet with the keenest buyers do not get a high price, whilst the rest are left in the lurch, but competition goes on on both sides until the supply and demand are made equal. What does this imply? What is the meaning as applied to labour? It is this: that all the supply must be disposed of, or, in other words, that all the labour must be employed. The logical result of perfect competition is not only that all who are employed shall be paid at the same rates, but that all must find equal employment. Under this system —perfectly carried out—you cannot have one man working overtime and another working no time, but the hours of labour must be so adjusted that the distribution of employment is equal. Thus the second result of perfect competition is the most perfect fraternity—it is just as if every labourer said to every other, "after you," for the simple reason that the performance cannot begin till all find equally good places.

But this equality of wages and fraternity in employment is not brought about by authority—by magistrates and military, or by government clerks and policemen. The moving force of the whole system is liberty. No man is compelled to sell his labour; no man is forced to work; and no employer is forced to

take labour if he objects to the price, or start his works if he objects to the returns. The basis of perfect competition is perfect liberty.

You will see now that I was justified in saying that perfect competition was like a picture which only needed the dirt to be taken off to reveal its ideal beauty; for if it could be realised, there would be realised, but in a far nobler form, the dream of the idealists of the great French Revolution—liberty, equality, and fraternity. I say in a nobler form, because, instead of equality being determined by heads, it would be determined by brains.

It is not as an ideal that competition fails, but, as in other ideals, the difficulty is in practice. In one word, the labour market is not perfectly organised, and it is mainly to meet this disorganisation that combinations have been devised.

Let us compare, then, with the ideal of competition the ideal of combination, as foreshadowed in recent disputes. The ruling idea is monopoly. All the labourers of a certain kind are to bind themselves to make a collective bargain through their leaders or agents. Those who will not join the union are to be deprived of work altogether, and the Government is to be called on to prevent the influx of labour to districts which are supposed to be already sufficiently provided. The spirit of monopoly is to reign supreme. Hours of labour, rates of wages, conditions of work—all are to be adjusted by the managers of those great labour syndicates.

The bargain to be struck—the rate of wages to be determined and agreed upon—is to depend not on

supply and demand, not on the conditions of trade, but on the principle of a living wage or a minimum standard of comfort. Here it may be thought we have the most attractive feature of labour combinations. The exclusiveness and the authority—the restriction of liberty and the sacrifice of liberty—are only justified by the end in view, and that end is said to be the improvement of the material condition of labour, and the provision of such a minimum as is worthy of a civilised being.

It is, however, worse than useless to set up an ideal if the means adopted to attain it are calculated to remove it farther from the grasp. If a minimum wage is insisted on—if men will not work except at that rate—this wage will presumably be above the rate that would be the natural effect of competition. For if it were no higher it would be absurd to waste time and money in securing what could be obtained at once without any expense. The market rate is obviously the rate at which, under the circumstances, having regard to all the conditions at the time, a bargain can be concluded. Except in times of panic and disorganisation, anything can be sold—at a price. Suppose, then, that the minimum wage demanded is above the competition rate. What will be the result? The inevitable result will be that there will be a lessened demand for labour. Works that only just paid at the lower rate must be shut up, if the price of the commodity remains the same; and if the price of the article rises, that of itself will check the demand of consumers, and in turn will limit production. There is no escape from this general law. Suppose the

minimum rate is established and work is resumed at that rate, then, as soon as the shortness of supply caused by the strike has been remedied, industry must be contracted. If this were not the case, if mere insistence on a certain rate were sufficient to secure it, if nothing but obstinacy and endurance for a few months were necessary, what is to fix the minimum? Why should it not be raised to five pounds or fifty pounds a week? The absurdity is seen in an extreme case, but in the less extreme case the absurdity is still there if it is not seen.

Well, then, if industry is contracted, what becomes of the minimum wage? A certain number cannot find employment at all. What is the alternative? Some get a living wage, and others get a dying wage. The other alternative is that all work, but work fewer hours and fewer days; and if the rate per hour or per day is higher, the amount earned in a week, or a month, or a year, is less. But a man does not live on the *rate* of wages, but on the amount of earnings.

It is sometimes said by working men, by way of retort, Look at the professions: lawyers and doctors and others make open or tacit combinations to insist on a minimum standard of fees; but the reply is obvious: no amount of combination will secure them a minimum standard of income.

It is said also, Look at official salaries of all kinds, *e.g.* the Civil Service; but here also it is forgotten that the numbers are definitely limited, and the only valid principle to apply is that the rate of payment shall correspond to what is earned by similar ability and efficiency in other branches in which competition

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prevails. If a higher rate is given, there is on the one side a waste of public money, and on the other those who benefit do so, not by their own labour and exertions, but by chance, or some form of jobbery or favouritism. In precisely the same way, if, owing to circumstances, a labour combination can fix wages above the natural market rate, there is on the one side a tax on all consumers of the commodity. If, for example, in any district the importation of coal could be prevented, and by strict combination the price raised, obviously all the consumers must suffer. And, on the other hand, only a certain number of workers can find employment, and the rest, for equally arduous work in other callings, must receive less wages —as, for example, agricultural labourers and navvies less than the miners, after making all allowances for different degrees of hardship.

You will observe that I have admitted, what indeed no one denies, that a labour combination may, under certain conditions, for the time raise the rate of earnings above the competition rate, just as any other syndicate may for the time raise the price of any other article. But this exceptional gain must come from the pockets of others. Precisely the same principle is involved as in protection. If the importation of all sorts of food products were prohibited, prices would rise, and for the time agricultural wages and profits would also rise; but it is needless to point out that the country as a whole would be injured, and in the end there would be a reaction on agriculture itself.

Another point of resemblance with protection may also be noticed. Protection begets protection: if one

industry is allowed to tax the others by monopoly, they in turn will seek for similar privileges. This is the experience of all nations. But universal protection means universal restriction, and that again means lessened production, lessened national income, and lessened consumption. Similarly, the general result of universal combinations of labour will be to lessen, on the whole, the national production, and thereby the national consumption.

If, then, the attempt to fix wages by means of combinations above the competition rate must in the end defeat its own object, are we to say that labour combinations are useless? Such a conclusion is not justified either by theory or experience. It is quite possible that through a tacit or open combination of masters, as was observed by Adam Smith, wages may be kept down below the rate that the conditions of trade could afford. And in such a case combination must be met by combination. If the masters do not compete with one another for labour, one of the conditions essential to a competition rate of wages being fixed is absent. Again, there are many useful functions that may be performed by associations of labour, as is shown in the history of the older Trade Unions. But it is one thing to ensure that labour secures the best terms possible in the state of trade and the best conditions of labour, and it is quite another to try to make a "corner" in labour, and to try to raise wages by acting in the spirit of monopoly.

In the same way the ideal of a living wage—the notion that all labourers should have so much material comfort as to give them freedom for moral and spiritual

activity—that is an ideal which every one ought to approve of and try to promote. But an ideal of this kind cannot be reached by the simple device of sitting down and denying the old proverb that half a loaf is better than no bread; no amount of denial will take the wisdom out of that old saying, and it is a matter of simple arithmetic that even if a strike is successful, it may take years to replenish the loss of months. In the labour of life it is not enough simply to set up an ideal; the difficulty is never in seeing and desiring something better, but in obtaining it. And the minimum rate of wages—the minimum standard of comfort—can only be effectively raised by a multitude of efforts in a multitude of ways. A universal strike cannot do it, and the State cannot do it. A universal strike would be about as effective as a general fast or a public mourning as a means of improving the condition of labour, and a decree of the State to raise the average income would be of equal value with a decree to raise the average temperature of the climate. If you only think out what is involved in the progress of the labouring classes—how that progress is affected by inventions, science, and education, by the growth of foreign trade and better international relations, by credit and the organisation of banking, by confidence and the accumulation of capital, and by a number of other agencies, some so obvious and some so obscure as to elude our notice,—you will see that this progress can only be maintained and accelerated by giving free play to all the forces that have made for progress in the past. The short cuts pointed out to the progress of labour are like the short cuts in the *Pilgrim's Pro-*

gress, but the pilgrim was never quite so foolish as to think he might make progress by refusing to walk unless his burden was made lighter.

It is always dangerous to push metaphors too far, and it is time to remind you that if, in the progress of society, short cuts to Utopia are delusive, we must still be guided by general principles. An unprincipled man, as all know, is a bad man, and if a man without any principles at all is bad, how much worse must he be who is guided by bad principles. It is of the utmost importance to the working classes, and thus to the whole nation, that the guiding principles which they adopt should be sound. If they are really conducive to their own welfare, we may be sure the nation at large will not suffer. But the great difficulty in the choice of principles of action is that very often the right is the mean between extremes, as true courage lies between reckless audacity and cowardice. So it is with competition and with combination. Both may be pushed to an extreme—an extreme of excess or an extreme of deficiency. In the present century we may find examples of excessive competition, as shown by the series of evils which led to the factory legislation. But if the first quarter of the present century was marked by excess in competition and deficiency in combination, in the last quarter the positions have become reversed. The leaders of the working classes—to judge by recent utterances—have already pushed the principle of combination to the extreme of excess, and that of competition to the extreme of deficiency. They think—or they assert—that combination is the one refuge, and competition the one destroyer, of

labour. The vastness of modern combinations and the magnitude of the battles between labour and capital seem to have affected their sense of proportion. I gave you just now a reminiscence of the wisdom of Aristotle, the father of the golden mean. Let me give you another. You will find in his classification of the virtues two that are not generally put in our modern lists—the virtues, namely, of magnificence and of prudence or practical wisdom. The characteristic of magnificence is greatness of expenditure, especially in great public functions. In ancient Greece the magnificent man often made a display of this excellence in offering sacrifices to his gods. In our own day the nearest approach to public sacrifices seems to be found in strikes, and the leaders seem to vie with one another in the greatness of the expenditure they can achieve, and in the magnificent spectacle they can present to the public. They proclaim the numbers out of work, and the numbers of their families, and the thousands spent in relief, and the millions lost to the public, with the same pride with which an ancient idolater would have proclaimed the numbers of the victims and the greatness of his expenditure.

The virtue of magnificence is readily liable to the abuse of excess, especially when the supplies are drawn from the pockets of other people. It is not only, or principally, the leaders of the working men, but our statesmen, the leaders of the public, who are becoming rapidly affected with an excess of this virtue; they are becoming day by day more magnificent; they are vying and contending with one another in magnificence, or at least in the promises of magnificent displays at

the public expense. I should much like to know for how much a year the insurance companies of the country would guarantee only one item in the scheme of one leader—the purchase of dwelling-houses for workmen by State credit. Three acres and a cow for the villager was a mild proposal compared with three rooms and a kitchen for everybody.

On the other hand, the ancient virtue of prudence or practical wisdom is falling away to the extreme of deficiency. In their emulation in magnificence our statesmen are teaching the people to forget there are such things as prudence and the other elementary virtues which are the constituents of natural common sense—self-reliance, industry, foresight, and perseverance. The people are taught to believe that the State is the greatest of all combinations, and is able to provide everything regardless of individual effort.

It is extremely improbable that such a modern and radical change in the aims and methods of Trade Unions as that shown at the Norwich Congress could have taken place but for the fact that the leaders of public opinion are always preaching, in season and out of season, the doctrine of the omnipotence of the State. Is it to be wondered at that when the working classes are expressly invited to say what they want and they shall have it, they should have taken the statesmen at their word, and have given a very large order—amounting, indeed, to a programme of collectivism, which, if carried out, would destroy the present social system?

It may be said—and I believe with truth—that long before this nationalisation of everything is attempted,

or at any rate reaches dangerous dimensions, a reaction will set in, and common sense will return.

But the interests of a nation are not to be treated on the principles of a theatre of varieties, and whilst we are playing with Socialism the real business of life is being neglected. I began this address with calling attention to the evils of strikes, especially on the moral side, and put the question, How can strikes be prevented? Let me conclude by indicating what, in my view, offers the only chance of an effective remedy. Strikes are an evil that arise from the conflict of the two great principles of action we have been considering —competition and combination. Under actual conditions—in which competition is necessarily imperfect in many ways—combinations of labour are certain to be resorted to. It is no doubt true that a great majority of working men do not belong to unions, but, without going into figures, the records of strikes show that quite enough belong to them to have great influence in the national industries. On the other side, and prior in point of time, we have associations of masters. These are facts that must be recognised—just as in international politics we must recognise the existence of large armies.

Well, then, if the object is to prevent collisions, there are two methods which experience recommends. In the first place, masters and men must recognise the extent, not only of the divergence, but of the community of their interests. The most mischievous result of many recent speeches, which intellectually are simply silly, is that morally they are inflammatory and calculated to set people by the ears. But it is

no use saying that under all circumstances the interests of masters and men are identical—it is not true, and it is not even plausible. Our second object, then, must be to make as clear as possible the extent of this divergence of interests, and also the relative powers of both sides to carry out their threats. If peace cannot be kept by showing there is nothing to fight about, the next best plan is to show that the claim cannot be made good by war. Many wars and many strikes might have been averted if only the antagonists had known accurately the conditions under which the struggle would take place.

Broadly speaking, I believe all the effective remedies for strikes may be placed under one or other of these heads—first, recognition of identity of interests, and, secondly, a real grasp of the difference in dispute and of the chances of success in case of conflict. Both these remedies may be included under a wider term, and that term is conciliation. It is the fashion at present—it is a bad sign this change of fashion in principles—it is the fashion to sneer at industrial conciliation and to point out the failures of various Boards. It is forgotten that with conciliation, as with other good things and good people, we generally only hear of the failures. And there can be no question that unless masters and men will take all possible pains to find out and to let one another know the conditions of trade, conflicts must take place. It is in this way, and perhaps in this way only, that Government can be of real service. If the Board of Trade were to collect and publish reliable information on the state of different industries much good might

be done. The worst of it is that the idea still prevails that everything in the nature of business must be conducted in secrecy. But this fear of light and love of darkness will gradually disappear with the spread of real knowledge and real education. At the end of last century there was a great outcry against a census being taken of the numbers of the people, lest the kings of the earth should know our weakness. Many other instances might be given, but it is time to conclude. For us, at any rate, one thing is abundantly clear—the only way we, as outsiders, can hope to assist in the prevention of industrial conflicts is by a patient study of the forces by which industry is governed. We must learn, in the first place, to look at social problems in a calm scientific spirit, to examine them on all sides with that same care that the physiologist bestows on bodily health and disease. It has been said that genius is patience, and certainly the only substitute for genius is patience.

The one thing I shall have continually to impress upon you is this: BE PATIENT; do not expect to rush at once to great discoveries, but learn first of all to understand the present before you attempt to guide the future.

III

PROFIT-SHARING [1]

RECENT events demand a few prefatory remarks to the present article. It was written before the troubles in connection with the London Gas-works had begun, and without the least idea that a scheme of "profit-sharing" was to be brought forward to defeat the demands of the Trade Unions concerned in the struggle. No more forcible illustration, however, could have been given of the necessity of accurately estimating the meaning, limitations, and possibilities of "profit-sharing" as a method of preventing industrial strife, and the views here expressed, though closely applicable to this latest contest, have at any rate the merit of the impartiality of general arguments on economic tendencies.

Profit-sharing is a method of conducting business, and not a form of charity, although, of course, like all good business, it takes account of moral elements. The principle on which it is based is by no means new. It is in truth a special form of the most general and far-reaching of all economic principles,

[1] *Contemporary Review*, January 1890.

namely, that the work done will vary according to the interest of the worker in the result. The greatest agriculturalists of antiquity, the Romans, discovered that slave labour exacted by fear and torture was slovenly and inefficient, and they established a system by which the *colonus* or cultivator became directly interested in the amount and quality of the produce. The Romans were not philanthropists. The celebrated Cato and the older writers on agriculture thought it cheaper to work slaves at high pressure and shorten their lives. The new method of agriculture established by the Romans in one of its main branches grew into the celebrated *métayer* system which still prevails largely over the south of Europe. The essence of this system is that the landowner provides the capital and receives a share in the produce, normally one-half.

In England, as Professor Thorold Rogers has admirably shown, one of the greatest agencies in the emancipation of the serfs and the establishment of the famous yeomanry was the land-and-stock lease, in which the stock was let with the land, and the owner took a considerable part of the risk. Here also the partial identity of interests created was closely analogous to profit-sharing.

A few other examples may be quoted to illustrate the variety in forms and the widespread application of the principle. Fisheries have been, and still are, generally conducted in such a way that part at least of the reward of the workers depends upon the result. In the Scottish herring fishery, for example, the men sometimes work for the curers at definite wages, but more often take their "chance," as they call it.

Again, on both sides of the Border, sheep-farmers very commonly allow the shepherds to keep a certain number of sheep with their own, so that they may be directly interested in the welfare of the whole flock. The method of payment by commission in addition to a certain fixed salary has been adopted on a large scale in all kinds of business, and especially in France prizes (*gratifications*) are often given for quality of work, economy, and general efficiency.

It is well to look at the question in the first place in the broad aspects suggested by these examples for several reasons. Most people in this country like to keep their business and their charity quite separate, and there is no maxim more popular than "Business is business." If practical men can once be brought to see that profit-sharing in some form or other has proved an excellent plan of conducting business they will be more likely to give it a trial than if it is considered only as a method of elevating the working classes.

Again, it must be distinctly recognised that the principle must be applied in different ways according to circumstances—the kind of industry, the class of workers, the nature of the markets, and the like.

Lastly, the full bearing upon the general wages question cannot be seen if the attention is confined simply to the details of one or two experiments, especially when they have been conducted in a foreign country.

At the same time, however, in these days when the air is teeming with all kinds of socialistic theories, it is certainly desirable to study actual living examples

of success, and also to account for any prominent cases of failure. For such an appeal to experience the literature of profit-sharing now affords ample materials. The decision of the Society founded in Paris in 1878 for "the practical study of the various systems under which workmen participate in profits" is a good illustration of the need which, even in France, the country *par excellence* of ideas, industrial reformers feel that they have of the aid of hard facts. This Society, in order to preserve the absolutely practical character of its studies, determined to admit to membership none but persons actually engaged in manufacture or commerce. An annual *Bulletin* in quarterly numbers gives some two hundred pages of information collected by the members on the progress of the participatory movement.[1]

It is, however, to Germany that one naturally turns for a complete compilation of facts and theories with ancient and modern instances. Professor Böhmert has written an elaborate work,[2] in the first part of which he gives the theoretical and historical side of the question, whilst a special part is devoted to an examination of more than one hundred actual cases taken from nearly every country in Europe, as well as from England and America.

Nor has the subject failed to attract the attention of English economists. J. S. Mill, in the chapter in

[1] *Profit-Sharing between Capital and Labour*, p. 45, by Mr. Sedley Taylor, a work to which, throughout this article, I am much indebted.

[2] *Die Gewinnbetheilung*, Leipzig, 1878. Translated into French and brought up to date, Paris, 1888.

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his *Political Economy* on the Probable Future of the Labouring Classes (bk. iv. c. 7), gave an account of the first and most successful experiment by M. Leclaire, who is justly regarded as the father of profit-sharing in the strict sense of the term. Professor Jevons in a paper on "Industrial Partnerships" (1870) and W. T. Thornton in his work *On Labour* (1870) did much to make the principle and the most striking examples of its application familiar to English readers, and the subject has found a place in all the best text-books since the work of Mill. Quite recently two important works on Profit-sharing have appeared—one by Mr. Sedley Taylor (1884), and the other, by an American, Mr. N. P. Gilman (1889). In both of these books the case is presented with great impartiality, and with a full sense of the difficulties and dangers as well as of the direct and indirect benefits of the system.

There are, indeed, few economic proposals of a practical kind which have been so long, and so persistently, and with such authority, presented to the public; and yet it must be confessed that hitherto, in this country especially, profit-sharing has received much more attention from the theoretical economist than from the practical man. Compared with the great mass of industry conducted on the ordinary system of payment by wages, either by piece-work or time, the amount of profit-sharing in the specific sense of the term (according to which in addition to the wages usually current for the same work the labourers receive a share in the surplus profits) is practically infinitesimal. The latest returns compiled

by Mr. Bushill,[1] Coventry, show that there are less than thirty firms in the kingdom which have adopted the plan, and the number of labourers employed is only about 10,000. The numbers are from one point of view considerable, but compared with the millions of ordinary wage-earners, they are insignificant—especially when we remember that many celebrated economists and social reformers in the last forty years have not only given the plan their cordial approval but a wide publicity.

It will naturally occur to most readers who know anything of trade that if profit-sharing really possessed the merits claimed for it as a method of business, and not merely as a philanthropic scheme, it would have been much more generally adopted. It is notorious how in these days of excessive competition every new idea, tried by one firm with any success, at once finds imitation—*e.g.* artistic advertising. The first thing, then, that those who advocate profit-sharing on its merits must do, is to explain why it has hitherto obtained so little practical recognition, especially amongst the English-speaking nations which have taken the lead in most great industrial changes; and an inquiry into the nature and results of profit-sharing may advantageously follow the same lines.

One reason, undoubtedly, why the system has not even been tried at all generally lies in the fact, that even in our day the economic value of various so-called moral forces is altogether under-estimated. The self-interest of employers and of parents ought to have made the long series of Factory Acts unnecessary.

[1] Quoted by Mr. Schloss, *Fortnightly Review*, Oct. 1889.

It ought to have been evident to master manufacturers that excessive hours of work, bad air, and other notorious evils, not only caused a degradation of labour, but that labour so degraded was inefficient. Parents ought to have seen that it would pay them better in the long-run to have their children properly educated and brought up in a healthy manner, even if they regarded them merely as sources of revenue. But it is more than doubtful if either sanitation or education would have been promoted, even to the interest of those most directly concerned, by reliance simply upon that interest. In spite of example and precept, the economic value of moral forces, except of the most obvious kinds—*e.g.* trustworthiness in a manager—is rarely recognised. The chief reason why productive co-operation is a comparative failure is, that the value of business capacity is under-rated, and efficiency is sacrificed to nominal cheapness in management. It may be allowed, then, that on analogy with corresponding business methods, profit-sharing may be perfectly sound and practicable in spite of the fact that it has made so little headway. Any one can see at once the value of a new mechanical process; but an improvement in the mechanism of human motive power is not so easily understood.

Another cause of the slow progress of the movement, also of a general character, and therefore more liable to be overlooked, is the popular conception, usually entertained both by masters and men, of the natural economic relations of labour to capital, and of wages to profits. The greatest industrial success achieved by labour in this century, judged by the ordinary

standards of numbers, funds, and results, is undoubtedly Trade Unionism. Co-operation, boards of conciliation, sliding-scales, and other methods of social reform have obtained a certain amount of practical support from labour, but, directly and indirectly, Trade Unionism has done more for the welfare of the working classes than all these other methods put together. Trade Unionism has, in fact, been so successful that it has now reached the point of development at which the danger to be feared, on the analogy of corresponding forms in industrial history, is the danger of excessive power. But the outcome of Trade Unionism is at the best an armed peace—the Unions may be, and are to a large extent, benefit societies, but essentially they are great fighting organisations. If there is a rise in prices an advance of wages is demanded, and if there is a fall a reduction is resisted. The natural result is that both in the minds of masters and men there seems to be an irreconcilable opposition between profits and wages, and it is generally believed that the one can rise only at the expense of the other. This is one crucial difficulty which profit-sharing as a practical scheme must overcome before it can hope to be widely adopted.

The nature and force of this difficulty can only be appreciated when the characteristic features of profit-sharing are fully realised. In the typical case the workmen are to receive the ordinary rates of wages current in the neighbourhood, and these rates are in general fixed at the maximum possible according to the state of trade by the action of strong Trade Unions. Yet, under the proposed scheme, the master is to set aside only a fixed percentage for himself by way of interest

on capital, provision for wear and tear and the like, and anything earned beyond this rate is to be divided in certain proportions between the employer and the employed. It certainly looks, at first sight, as if the master was compelled to pay the market rate of wages, but to receive something less than the market rate of profits. And this supposition is strengthened when it is observed that the labourers are never to be called upon to share in exceptional losses, and that at the outside in bad years they can only fail to receive the exceptional bonus obtained in good years. Surely masters may naturally argue that if they are to meet the losses of a depression they must be able to draw upon the gains of an inflation.

There is only one possible answer to this objection, and this is the answer which was given by M. Leclaire, and which is the kernel of the whole matter. *Under the stimulus of profit-sharing the workers must create the additional profits which they are to receive.* If they do not increase the efficiency of their labour or make economies by avoiding waste of materials, or by taking greater care of tools and machinery, if, in a word, they do not for the same wages in some way or other either increase the out-put or diminish the cost of production, then profit-sharing is simply a gain to the workers at the expense of the masters.

On the other hand, if the system works well, it is plainly possible for wages and profits to rise simultaneously. That the system can be made to work well, the experience of the Maison Leclaire, now extending over nearly half a century, furnishes at once a striking and most interesting proof. The story has

been often told, and Mr. Gilman deserves praise for having once more imparted freshness to the subject, "by tracing the development of the Maison Leclaire in close connection with the circumstances of its founder's life." Nor is this the only example of success. In an industrial census of the whole world 150 is certainly a very small number of firms to quote as evidence of the acceptance of the principle; but when it is found that this number includes various kinds of business, and that the proportion of failures is much below the average, and in most cases due to extraneous causes, the appeal to experience has more weight than appears at first sight. For an inductive proof, however, the reader must turn to the volumes already quoted; it is plainly impossible to compress such a proof within the limits of an article.

To return to the examination of the causes why, especially in the United Kingdom, the progress of profit-sharing has not been greater, another reason is at once suggested by the appeal just made to experience. The English practical man is only too fond of saying that "an ounce of fact is worth a ton of theory," and unfortunately in this case the facts with which he is most familiar seem to be against the system, at any rate on the surface. The failure of the experiment made by Messrs. Briggs is even more widely known than the success of the Maison Leclaire, and the English attempt which next to this has attracted most attention—that made by Messrs. Fox, Head, and Co.—was also abandoned after eight years' trial. These two examples have had so much influence in practically dissuading employers from making the experiment for themselves

that, even in an argument of a general kind, they demand a certain amount of attention. As regards the Whitwood Colliery of Messrs. Briggs, very full information is given by Mr. Sedley Taylor in a memorandum [1] offered to him for publication by two of the original partners. It will be seen from this document that the Messrs. Briggs themselves do not consider the abandonment of the system in their own case a decisive test of its unfitness for this country, for they state explicitly at the conclusion of the paper that "nothing that has occurred seems to show that the system inaugurated at Whitwood may not eventually be generally and successfully adopted, and lead to a more intimate union of interests and a more cordial feeling between capitalists and their workmen." In response to a request by Mr. Sedley Taylor for further information, Mr. Archibald Briggs stated that down to 1872, about seven years, the bonus paid to the workmen was really earned by extra care and economy, and that the outside shareholders also reaped a benefit, but in the two years of great inflation which followed, the bonus paid to workmen was more than was earned by the extra efficiency of labour, and thus from a business point of view the shareholders were not so well off as they would have been without the system of profit-sharing. He also said that in his opinion no isolated concern could reap the full benefits of the plan, and that the greatest advantages could only be secured by its being generally adopted, and altering the whole tone of the relations between employer and employed, and doing away with the

[1] *Profit-Sharing between Capital and Labour*, p. 117.

antagonistic combinations of one class against the other.

To the present writer, after a careful examination of the evidence, the main cause of the failure of the Whitwood experiment seems to lie in the fact that from beginning to end the principal object aimed at was to provide a substitute for the influence of the Trade Unions, and not simply to increase the efficiency of the whole concern with the view of creating a divisible bonus. The chief reason given by Messrs. Briggs for the original adoption of the scheme was, that during a period of ten years four strikes had occurred, lasting in the aggregate seventy-eight weeks, and it was supposed that if the workmen were allowed to become industrial partners they would have no further interest in strikes. Whilst every one must approve of any method which diminishes the number and severity of strikes, and equally of every advance towards a better understanding of their mutual interests by masters and men, it seems fallacious to argue that, as matters stand, it is not for the interest of those workmen who join an industrial partnership to give any support to the action of Trade Unions. For it must be remembered that the essence of the system as a method of business is to pay a minimum interest on capital and also the market rate of wages before there can be any bonus to divide.

But it is easy to see that the bonus paid to labour must always be small compared with the market rate of wages, and, accordingly, that it is for the economic interest of the workmen to look first to the best mode of increasing the *ordinary* rate of wages, which in the

concrete means the action of Trade Unions. The men in the Whitwood Collieries were fully alive to this elementary fact, and the immediate cause of the breakdown of this industrial partnership was an attempt to keep the men from attending a meeting of Unionists. At the same time, whilst the men naturally considered that the bonus, large as it was during the years of inflation, was not large enough to make them independent of their unions, the shareholders, apart from the actual managers, naturally thought the bonus was to a great extent taken from profits, and not from additional earnings; and on the matter of fact, there can be little doubt that in the two years of very high prices the opinion of Mr. A. Briggs, already quoted, was correct, and that the bonus paid to labour was not due to extra exertion or economy, but mainly to the accidental rise in prices. As a consequence, just as labour looked for the market rate of wages, capital looked for the market rate of profits, and it was announced that the minimum interest reserved to capital before any participation of surplus was allowed would be raised from 10 to 15 per cent. Even after this rise, the outside shareholders grumbled, because they thought their profits were lower than they ought to have been.

The position was one of great difficulty, and when the plan was first adopted no one had ever dreamed of such an abnormal rise in prices. Both Mr. Sedley Taylor and Mr. Gilman maintain that the rise of profits (reserved) from 10 to 15 per cent was unjustified and contrary to the essence of the scheme. Of course, if it had been foreseen that such a rise

was possible, a provision should have been inserted in the original agreement, and in this way a certain amount of friction would have been avoided. As matters stood, however, there appears to be no reason why, as Mr. Briggs points out, when wages had risen 50 per cent (without the bonus) the interest on capital should not also receive an increment (apart from the bonus), especially as no one could tell how long the "boom" would last, though there was little doubt that very lean years would follow on the natural over-production of the fat years. But although there was some friction over the division of the unexpected surplus, and neither the shareholders nor the men were satisfied, this was not the principal cause of the abandonment of the system. It was not a dispute over the "bonus" but over the ordinary rate of wages and the conditions of work which really led to the disruption. The men wished to support the Trade Unions, and the shareholders practically threatened to fine them heavily if they did.

The failure of the profit-sharing system adopted by Messrs. Fox, Head, and Co., in their ironworks at Middlesborough, may also be largely ascribed to the hostility shown towards the Trade Unions. It was definitely stipulated that no employés were to belong to Trade Unions; and in return the employers agreed not to join any association of employers. But, as Mr. Gilman's criticism[1] shows very plainly, the workmen must have found in the eight years' experiment that Messrs. Fox, Head, and Co. were asking much more than they gave. In the first place, 10 per

[1] *Profit-Sharing*, p. 274.

cent interest with 6 per cent for renewals and depreciation of the works and plant, and 1½ per cent for bad debts, constituted a large reserve from profits, and the highest bonus earned by labour in the best year seems to have been 4 per cent. The firm also secured for itself immunity from strikes, and it decided for itself any question of wages and prices, whilst the workmen had to cut themselves off from the Unions which not only tried to obtain a maximum wage, but also carefully looked after the general conditions of labour. Trade Unions, however, have done too good service for too long a time to be abandoned for such a small bribe as a bonus on wages. Thus, an examination of the two most celebrated cases of failure tends to prove that the failure was due to an insufficient recognition of actual industrial conditions and an exaggerated idea of the magnitude of the real changes introduced by profit-sharing.

Both "industrial partnership" and "profit-sharing" are apt to suggest a much closer identity of interests than is really involved in this method of business, and it may be questioned whether it would not be better to adopt some such simple name as "bonus system."[1] The term "partnership" is certainly misleading, for neither in the conduct of the business nor in responsibility for losses are the workmen "partners"; and even as regards profits they have no share in the "interest," which is reserved, nor in the "wages of management," nor in the "reward for risk"—the three elements into which gross profits are generally analysed.

[1] In the neighbouring collieries the Whitwood scheme was commonly spoken of as "Briggs' bonus."

What the workmen really share is the increased earnings due to a better use of capital by labour.

Every one will admit that a system of profit-sharing, as usually understood, offers favourable opportunities for the improvement of the relations between masters and men; but it would be a great mistake, both in theory and fact, to suppose that a "share in the profits," or a bonus on wages, as it is more properly called, is the only possible foundation of a cordial understanding between masters and men, and the only way to obtain various social advantages. On the other hand, in considering the causes of the slow progress of the system practically, some weight must be given to the fact that the purely business principle has been overshadowed in the public mind with these secondary influences. There is no reason why the least charitable and least philanthropic of masters should not adopt some form of extra payment for extra results, some simple form of profit-sharing, any more than that he should adopt piece-work instead of time wages; but many masters are inclined to think that their workmen out of their own wages can make savings and invest them, and also provide themselves with decent recreation and, if they choose, education. Accordingly, although those more elaborate schemes of profit-sharing which set aside so much for social purposes, pensions, insurance against accidents and the like, and which allow, if they do not compel, the savings of the workmen to be invested in the shares of the concern—although such schemes are much more attractive to social reformers and seem to offer much greater advantages, still they tend to alarm the

average man of business and to make him think that profit-sharing is in reality a form of charity—at his expense. And even from the point of view of the workmen it may be doubted whether it is always prudent to rely upon their particular business for old age, provision for sickness and children, and so forth, rather than on benefit and insurance societies; and they might often prefer to have any bonus they could earn placed entirely at their own disposal. Thus, the indirect social advantages which have justly received such high praise in a few celebrated cases—*e.g.* Leclaire and Godin—may really have prevented the spread of the system in a more elementary form. Those who could not or would not imitate these great philanthropists on the social side have thought that they need not look at the question at all.

Again, many employers who take a great interest in their workmen, and are ready and anxious to promote their welfare in many ways, still object most strongly to giving them any voice even indirectly in the management, and they think that if profit-sharing were introduced their independence would be sacrificed. This objection takes many forms. It is said, for example, that if workmen are allowed to share in the profits they will insist upon seeing the books, and will distrust the returns made by the masters. To this it is answered that the accounts might be submitted to sworn accountants, whose decision should be final. But, again, it is objected that the rate of profit earned must necessarily be made public, seeing that the amount of bonus will depend upon it, and thus, if the rate is high, that competition might be increased,

whilst, in case of bad trade, it is feared that the non-payment of a bonus after a payment for some years might even lead to a partial loss of credit. Thus, whether profits were very high or very low, it would not be to the advantage of the firm that the fact should be known. Again, it is said that in years of good trade large profits might be earned for a time, which were in no way due to the extra exertions or carefulness of the men (as in the case of the Whitwood Collieries during the great inflation), and that these profits ought to be set against the exceptional losses of a depression, in which, although the workmen may not receive a bonus, they never share in the actual loss.

The general result of all these objections is that, rightly or wrongly, masters think that under a system of profit-sharing their profits would, in the long-run, be less, and that they would also be hampered in the management of their business. Experience has shown that these fears are certainly exaggerated, and also that they are generally expressed by those who have never given the system a trial; but at the same time they do much towards explaining the small amount of favour which the system has practically received from the great mass of employers. When the other reasons already advanced are also taken into account, it is not difficult to understand why profit-sharing has hitherto altogether failed to realise the expectations formed of it by very good judges; and few would now be inclined to endorse the opinion of Prof. Jevons[1] in 1870, that "the sharing of profits is one of those apparently

[1] *Methods of Social Reform*, p. 125.

simple inventions at the simplicity of which men will wonder in an after-age."

The method of inquiry hitherto pursued in this paper has been, in the main, to consider why this "apparently simple invention" has met with so little practical recognition. It remains now to indicate the way in which this experience from the past may be utilised for the future. To some the natural conclusion would be that a tree which has borne so little fruit for half a century might now be cut down and burned. To my mind, however, to continue the simile, what the tree needs is a liberal use of the pruning knife and the lopping off of a mass of luxuriant but unfruitful foliage.

In the *first place*, in the light of experience and in the present condition of industry, it is ridiculous to suppose that "profit-sharing" can be a substitute for Trade Unions. Any ordinary firm which intends to give the system a fair trial should be prepared to leave the employés absolutely free to take part in the meetings and policy of the Unions, just as it should reserve to itself the right of joining combinations of the masters. The reason for this course is obvious. A bonus on wages, after the reserved profits have been allotted to the masters, is not an economic equivalent for the abandonment by the men of their Unions, which have so much influence in determining the rates of wages and the conditions of employment. Again, the Unions are so strong in a great number of industries, that it would be extremely impolitic for a new and weakly institution to provoke their hostility.

Secondly, it must be remembered that the so-called

share in the profits is simply an addition to and not a substitute for wages. Even if the system were adopted almost universally, the working classes would still in the main depend upon the ordinary rate of wages, which again is determined by the conditions of industrial demand and supply. All that Trade Unions themselves can do is to see that the best bargain is made which the conditions of the market allow; and profit-sharing can do no more.

Profit-sharing as such furnishes no guarantee against instability of earnings and fluctuations in employment. No system of division of the proceeds can be a guarantee that the proceeds will be forthcoming. The greatest perseverance would be no remedy against over-production or the loss of a foreign market, or an enormous rise in the price of raw material, or the popular adoption of some substitute for an old staple. But in the great mass of industries, fluctuations in wages and employment are the most crying evils of the day. In some businesses of a peculiar character and with well-established custom these evils are not felt, but the great industries of a manufacturing country are not of this fortunate kind. Thus, profit-sharing at the best will not of itself be a sufficient remedy for some of the most serious evils affecting labour.

Thirdly, there are other methods of obtaining the social advantages connected with the most celebrated examples of profit-sharing. It is not every business that could provide, like that of M. Godin, for the education, amusement, and general comfort of its members, and the example in this country which comes the nearest to it—Saltaire—does not, I believe,

adopt the profit-sharing principle. Supposing that profit-sharing were as widely spread as its most ardent supporters desire, it would probably not be an unmixed gain for the country at large if, for general social purposes, every business establishment aimed at becoming self-sufficing and independent.

When, however, all this pruning has been accomplished, the stem and its main branches—the principle and its logical consequences—are left intact. And that principle, as pointed out at the outset of this article, is not a principle of charity or philanthropy, but essentially an economic principle. In every business in which time-wages are paid there is always a great waste of time. Nor can this waste be considered as a pleasure to the workmen themselves. Every one knows that it is really much more pleasant to work with brisk, lively energy, and with interest, than to idle and dawdle, and be always looking at the clock. Again, if piece-work is adopted, it is well known that quality is sacrificed to quantity, unless the supervision is stringent and effective.

But so long as the time-worker is paid simply for time, and the piece-worker for quantity, there will be a loss in the value of the output, a loss which is a gain to nobody. Apart from this, there is a further loss in the waste of material, carelessness in the use of machinery, and the like, when the workers have no interest in the general result. Accordingly, it is quite clear that in most businesses there is room for extra earnings, and the best way to secure this end is to give a large share to those who by their efforts or care contribute to the result. Profit-sharing of this kind

must be advantageous to all concerned. The master obtains a share of the income in proportion to his wages of superintendence, and the workmen obtain their bonus on wages. If this bonus is paid at considerable intervals, or is invested in the form of shares, the compulsory saving thus effected is strictly analogous to that which has produced such good results in the old co-operative societies.

The question has been treated on the whole from the business point of view, and profit-sharing has been considered mainly as increasing the efficiency of the productive agents; but the more successful the system is as a method of business, so much the more will it tend to bring about those moral and social results for which in most quarters it is generally recommended. The constant effort to make the most of the concern, the creation of a keen *esprit de corps* amongst the workers, the knowledge that to a large extent the interests of masters and men are identical, the application of a share of the profits to social purposes, the opportunity for the gradual accumulation of capital out of extra earnings, and the consequent sense of independence—all these are factors which make for the moral elevation both of masters and men, and tend to diminish the friction between classes. If profit-sharing is a business success, there is little doubt that the rest will follow. Even in private firms it is those on the margin of bankruptcy, and not those with exceptional profits, which give labour the least reward for the hardest work. The best business for the master is, as a rule, best also for the men. But if profit-sharing does not prove a good method of business, it is vain to talk of

the social improvements which would follow on its general adoption—for the simple reason that it will never be generally adopted.

An illustration may be taken from co-operation. The co-operative societies for distributive purposes amongst the working classes have been a wonderful success. In Great Britain they have a membership of about 900,000, and sell goods to the amount of nearly £33,000,000 per annum. The net profits are about £3,000,000. Now, after making full allowance for the moral enthusiasm of the original founders, and for the co-operative spirit of the present members, there can be little doubt that this great success is in the main to be ascribed to economic causes—*e.g.* better quality of goods, and, directly or indirectly, lessened cost. The co-operative productive societies, from the moral standpoint, offer much greater attractions, but they have succeeded only to a small extent, and again the principal causes of failure are purely economic—*e.g.* competition and inferior business capacity.

But the co-operative movement furnishes a still more definite illustration of the position that profit-sharing must in the first place stand or fall on its economic merits. At the Co-operative Congress in 1888[1] it was recommended that, "by whomsoever productive enterprises are established—by either the wholesale or distributive societies, or by organisations of the working men themselves—an alliance be formed on equitable conditions for the sharing of profits and risks between the worker, the capitalist, and the consumer." A copy of this resolution was sent to the

[1] See Report for 1889, p. 28, and Appendix VIII., p. 40.

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different societies, and questions were put in a circular as to their treatment of their workers. "To this circular only 199 sent replies, of which 138 said that they had no productive works, while 61 gave replies more or less full to the question: 'Does the society admit the workers employed in it productively to any share in the profits of its business?'" *Five societies only replied in the affirmative and* 46 *in the negative.*[1] To the question: "Would the society be disposed to enter into any plan by which the whole profits in production, or any, or what part of them might be applied for the permanent benefit of the workmen by providing against sickness, disability from age, or assurance on death?" *Ten societies replied in the affirmative and* 30 *in the negative.*

Could a more convincing proof be offered of the contention that however attractive may be the moral aspects of profit-sharing, it must, for practical purposes, be considered in the first place as a matter of business? It is too much to hope that the ordinary capitalist will regard the question from a higher standpoint than the managers of the co-operative distributing agencies which also take up production, encouraged as they are by the public opinion of the great body of co-operators.

Profit-sharing is capable of a much wider extension than it has yet attained, but the first condition of success is that the nature of the economic principles

[1] The returns referred to were made by the distributive societies, and do not include those occupied only with production. The figures quoted in the Appendix (apparently later) are 264 replies—181 no productive works, 10 affirmative, and 61 negative.

on which it rests, as well as the industrial forces with which it must work, should be fully realised.

At the same time the stress laid on the business side of the question in this paper must not be misunderstood. The ideal of profit-sharing is to make the best use not only of the physical strength and the technical skill, but also of the moral energy of all the workers, the managers included; and the principal obstacle in its path, as in every department of industrial progress, lies in the fact, noticed at the outset, that the economic value of moral forces is constantly under-rated.

IV

THE REALITY OF INDUSTRIAL PROGRESS[1]

LONG ago philosophers made the discovery that the human mind is swayed to and fro by contrast. We fix the attention on one thing, and in an interval, never very long, we are forced to think of the opposite. The principle pervades the whole thinking life of humanity. We read in the lives of the saints that in the midst of a religious ecstasy, induced by fasting, prayer, and self-abasement, suddenly evil thoughts would intrude that no effort could drive away until despair again yielded to hope. The truth of history has been echoed in the imagination. You will all remember how, in crossing the river of death in the very sight of the Celestial City, Christian could remember nothing of the sweet refreshments he had met with in the way of his pilgrimage, but was haunted by the memories of old sins and by the apparitions of evil spirits.

And so it is throughout; we cannot rest in the present; hope drives us forward and memory backward, and, in both instances, in the quest of contrast. Youth dreams of the fame of manhood, and manhood

[1] Edinburgh Typographia, November 1894.

remembers the aspirations of youth. By this same force of contrast, in spite of all our selfishness, we are impelled to look out of ourselves. We are never content—we cannot for the most part even live—in isolation; and in the communion with our fellows the closer the bondage of affection the greater the delight. It was well said by Lord Bacon in his essay "Of Friendship," "A crowd is not company, and faces are but a gallery of pictures, and talk but a tinkling cymbal where there is no love." But this interest in the welfare of others is not altogether satisfied by friendship, or even the family affections. The ancient Romans were justly considered one of the most cruel of peoples, but it was in a Roman theatre that the famous line of the dramatist was received with acclamation, "I am a man, and there is nothing human that I think is not akin to me." I have attempted a literal translation, but you will find the same thought in the well-known line, "One touch of nature makes the whole world kin." And thus it comes about that in all nations, at all times, people have been led inevitably to speculate both on the probable origins and the probable futurity of the human race. How often has the wish been expressed by some of the finest specimens of mankind that they would die content if only once in a century, or in a thousand, or in a million years, or if only once again after some indefinite, uncertain period they might awake to see how the world of men was getting on; and the same thought must occur sometimes to the least imaginative when he is reminded of the everlasting, ever-present contrast that in the midst of life we are in death.

But if we can only dimly forecast the future, every year adds to our knowledge of every branch of the history of the past, and under this expanding knowledge the very meaning of history has changed. We are no longer content with the lives of kings and narratives of battles and intrigues. We want to know age by age the real life of the people, and we carry our inquiries even beyond the beginnings of civilisation. No part of this real life is left untouched; we search the tombs and heaps of refuse for evidences of food and clothing, we uncover rude dwellings beneath the ground and beneath the water, and we fill in the missing links by observing the practices of savage peoples at present existing. By the same restless spirit of inquiry we try to construct the mental and spiritual life of our ancestors; we look into the inner meaning of old customs and superstitions until we can almost read the thoughts of primitive man.

When we make a survey of this kind, when we trace century by century the lives of the generations of our race, one question is constantly forced on the attention: In this series of changes is there any real progress? And then we are led to the further questions: If there has been real progress, what are the causes? Is their force already spent, or will the progress of the future be even more real and glorious? It is only with a part of this large subject of the progress of humanity that I propose to deal, the part which for want of a better term may be styled industrial progress. But at the same time I use the phrase in no narrow sense, for we cannot separate altogether the material and the moral elements. Industrial pro-

gress is wider than the progress of mechanical invention, though that is an essential part.

Perhaps some of you may think that as regards the reality of industrial progress there can be no two opinions, and that is the reason why I have stated that the phrase must receive a liberal interpretation. We must look beyond the mere discoveries of the arts and sciences to their effect on the general welfare of the people. When we take this broader view we find that there is a widely-spread opinion or suspicion that our progress is to a great extent delusive. Consider, for example, this passage from John Stuart Mill, which you will find in that book of his *Political Economy* which treats of the progress of society, and must be regarded as a deliberate conclusion, founded on a reasoned proof. "Hitherto," he writes, "it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make fortunes." It is a belief of this kind that gives any strength it may have to the movement in the direction of socialism or collectivism, and is at the root of such proposals as the limitation of the hours of labour, the provision of old age pensions, and the further extension of the principle of graduation in taxation. You will see, then, that the inquiry I put before you is well worthy of study, not merely as of speculative interest, but on account of its important practical bearings. If in a nation like this, which is rightly regarded as the best example of progressive societies, Mill's opinion is

at all well-founded, we cannot wonder that the working classes should seek to use their political power to promote their physical well-being.

Before going farther, it is worth noting that the general idea of progress is comparatively of modern growth, and taking the whole world is even now by no means generally accepted. There seems to be a natural tendency in races, as in individuals, to idealise their youth. One of the earliest Greek poets, Hesiod, who wrote nearly a thousand years before Christ, describes in succession the various ages, and names them after the metals in the order of excellence, and the earliest age is the golden and the last is the iron in which the poet laments that his lot has been cast. And in the literature of every people at every period we find constant references to the good old times—the present is iron, the past is golden. Even at the time of the great French Revolution, the idea prevailed that the happiest state was the original state of nature, and that mankind had deteriorated under the influences of government.

In our own day and generation the idea of progress has found its main support in the theory of evolution. In the origin of species, according to Darwin, we may trace through an infinite number of minute additions the passage from the lowest to the highest forms of life; if we could fill in all the links, we should be able to trace the descent of man himself from a creature, compared to which a jelly-fish is high in the scale of development. It is, then, no wonder that with such vast changes in the past we should look for equally vast changes in the future, and even come to regard

progress as one of the essential conditions of life. But when we look to the forces which have, according to this theory, effected the progress of animal life, and seek to apply them to the future development of man, we are checked by a startling discovery.

In the animal world we are told that the essence of progress is to be found in a struggle for existence, a perpetual waste and destruction of life, and an occasional survival of the fittest. But if the same laws are to apply to the progress of mankind—if a few of the fittest are to survive by the sacrifice of millions of the weakest—we seem to be forced to the melancholy conclusion of Mill, and progress becomes a mere fiction. So much has this idea, that progress rests on sacrifice, impressed itself upon the latest philosophical writers, that they have been forced to call in the aid of religion, and religion of a very peculiar kind.

In effect this last position amounts to saying that the mass of the people can only be induced to sacrifice their present interests for the supposed future of the race because they are impelled to do so by a blind instinct which overpowers their reason. Surely no better instance could be found of the general principle with which I started, that the human mind is governed by contrast, and is always oscillating between extremes.

The theory of Darwin, which was at first received with execrations because it was supposed to undermine revealed religion,—this theory is now supposed to require for its application to mankind a general instinctive belief in religion of such a sort that it is beyond our reason to grasp. We are told we must choose between anarchy and decay on the one side and this blind belief

on the other—that if men listened to reason, progress must cease!

There I leave the general question of progress. I have said enough to show that we cannot take for granted any general progress of humanity, and still less can we deduce from this general idea of progress the particular species that is termed industrial or economic. But if general principles and theories will not suffice we must have recourse to facts—to the actual facts bearing on the case. And that is, after all, the true scientific method. The best way, the only way, to test the reality of industrial progress is to compare the actual industrial condition of the race or of the nation at different epochs with the present condition. But in making a comparison of this kind we must rest content with taking samples or representative instances. Take, for example, the apparently simple question of the increase in the aggregate of the material wealth of the country. Even when we seek to compare our present wealth with our wealth fifty, or even ten, years ago, we have nothing like complete records—we have a census of people, but no census of possessions.

The further we go back the greater the difficulty. But still the difficulty must not be exaggerated. A good anatomist, it is said, can construct an extinct creature from a single bone; and we can obtain, with a little trouble, an abundance of facts, which, properly interpreted, will enable us to construct the industrial organisms of the past.

As already explained or suggested, in examining the reality of industrial progress there are two fundamental questions: the *question of production* and the

question of distribution. In the first place, we may look at the nation as a great and intricate piece of machinery, constructed for the production of wealth of all kinds; we may look at the annual produce of the lands, mines, fisheries; at the number, size, and quality of the houses; at the various species of manufactures and handwork; we may, in short, regard the nation as a whole, and try to sum up the aggregate yield to its labour. But beneath this question of production there is the question of distribution—the mode in which this wealth is distributed or divided between different classes and individuals. It is here that the reality of progress is most often and most readily called in doubt. It might indeed be supposed that the *first* question as to the increase in the productive capacity of the nation as a whole needs no proof, and calls for no description, and that the *second* question as to the progress in the distribution of wealth is the only one of any interest or importance. But I hope to show you that the two are so intimately connected—that the production and the distribution or division are so intertwined—that you cannot understand one without the other.

Let us begin, then, with some typical representative instances in the progress of productive power. Take first agriculture in the broadest sense of the term—as covering all the produce of land. Thanks to the labours of the late Thorold Rogers, we have continuous records of agricultural products in England for six centuries. And there can be no doubt, whether we take quantity, quality, or variety, the improvement has been enormous. Six centuries ago the average yield

of wheat per acre was not a quarter of what it is at present; the cattle, sheep, and horses were poor and stunted, and diseases of all kinds were frequent and destructive, so that the losses of the farmer were enormous. Winter roots and artificial grains were unknown, so that in the autumn stock was killed down to be salted. There were very few fruits and vegetables. If we look at mines and minerals, the progress in productive power is still more astonishing. The best way to realise the change is to observe the difference in the density of the working population round the great coal and iron fields. And more astounding still is the growth of manufactures of all kinds, especially in the present century, consequent on the improvements and extension of machinery. Fifty years ago the author of a famous work on the progress of the nation said that it would fill many large volumes to describe the improvements in mechanical appliances that had taken place in the first part of the century, and more volumes and larger volumes would be required to bring down the history to our own times. It is the same with the means of communication, not merely in the actual transfer of things and persons from place to place, by land and water, but in the interchange of thought by the telegraph and telephone.

This improvement in communication has increased the aggregate wealth passed into the country to an enormous extent; witness the glut of food of every kind flowing to us from the ends of the earth, and filling our farmers with alarm.

There can be no question that a given amount of labour applied in almost any direction will produce

far more than it did, and, in addition, produce things which in former ages could not be produced at all. And if we look for the causes of this great difference, we soon discover that they may all be summed up in one great generalisation, namely, the increase in man's power over nature and the advance in human skill and intelligence.

I am quite aware that the fact of the continuous increase of human skill in the production of wealth is so obvious that it may seem superfluous to call attention to it. We are very apt to put down anything with which we have become familiar as perfectly natural, and requiring no further explanation, and giving rise to no fruitful deductions. But a little reflection will show that such a conclusion, however common, is far too hasty.

In other departments of human skill and of great human interest we do not find the same continuity of progress. In nearly every department of art, in poetry, painting, sculpture, and architecture, we cannot make the same boast. Here it is quite common to find that the old is better than the new, and that the genius of a great man is a subject for inferior imitation rather than development.

In the production of wealth, on the other hand, in the adaptation of matter for what are termed the material wants, it is rare to find that the original genius does more than give the general lines on which subsequent labour must proceed. It is really, when we look beneath the surface, a matter for astonishment that scarcely any economy in human labour, and scarcely any device for moulding nature to man's will,

has ever been lost, and indeed has in general been improved upon. Before the records of history began, some of the greatest mechanical discoveries were made, and they spread over the world, and were handed down from generation to generation, in spite of all the trammels of barbarism. We are apt to pride ourselves on the great discoveries of the present century, but if we were to consider all the arts of production, including those that appear to us so natural and simple as to spring from the instinct of mankind, we should find that we owe far more to past centuries than to the present. The pre-historic man who invented wheels was the worthy precursor of the man who made them run on rails, and our great ships are the lineal descendants of the genius of the man who first made a raft.

To the general law of the continuity in the production of wealth, of the persistence and improvement of various processes, there are exceptions which, however, confirm the general rule. It is said, for example, that it is impossible at the present time with all our knowledge to make some of the peculiar flint instruments, especially the very fine, saw-like edges, which were made in abundance by primitive races when the country was a howling wilderness.

We find other instances, also, in which an art or process has reached a high degree of development, and has then been lost altogether, or subject to degradation, as it is called—for example, methods of colouring glass, of engraving gems, and various other species of artistic work. But it will be found on examination that these arts have fallen into decay,

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owing, in general, to a species of substitution, and certainly not owing to any general decay of intelligence and mechanical skill.

An example on a large scale may be taken from the use of machinery. The extended use of machinery in various manufactures has caused a certain loss of skill in works made by hand. We admire the fine work of the craftsmen of the Middle Ages and of antiquity, and we compare it with our machine-made goods of all kinds, and may almost feel inclined to imagine that human skill has been blunted in the course of ages, and especially that the general adoption of machinery, although certainly giving cheapness and plenty, has at the same time put the producers—the men themselves—on a lower level.

And yet there cannot be the slightest doubt, when a full examination is made of the work at present carried on in any great industrial nation, that a much higher order of intelligence is required than was the case in a simpler order of society.

We may take a practical test even over such a short period as the last fifty years. Sir Robert Giffen, in an interesting essay on the progress of the working classes, has proved that whereas fifty years ago the two lowest paid classes of labour in the United Kingdom constituted each one-third of the whole manual labour class, they now constitute only one-eighth each, and the remaining highest paid class, which was only one-third fifty years ago, is now three-fourths of the whole. Thus the machinery, which it was feared would crush the intelligence of mankind, has, on the contrary, raised it to a higher level. The notion that

one thinking man in a spare moment invents a machine which condemns a thousand to cease to think may be morbidly fascinating, but as a type of modern industry it is utterly false. It is as false as the corresponding idea that in the Middle Ages all the labourers were highly skilled artists. The fact is that during this very period nine-tenths of the working population was engaged in agriculture of the rudest kind, and the true type of mediaeval industrial society, if a sample be taken of the great bulk, is to be found, not in the workshops for various artistic designs, but in the most backward and isolated agricultural village of the West of Ireland.

So far, then, as the production of wealth is concerned, there is no difficulty in reaching the conclusion that for centuries the progress of the nation has been real and continuous. In a few particulars—in themselves no more than sufficient to emphasise the general rule—there have been exceptions, that is to say, development in one direction appears to have involved degradation in another. But, on the whole, so far as the productive power of the nation is concerned, every generation has not only inherited the powers of its predecessors, but has done something to increase that power. And the explanation in its most general form is as irresistible as the conclusion. This continuous increase of power is due simply to a continuous increase of knowledge. And this increase of knowledge and industrial skill is not entirely, or even mainly, shown in particular individual cases; it is to a much greater extent manifested by the superior industrial organisation of the whole community, and by the ever-

increasing division of labour, in the widest sense of the term.

Obvious as this explanation may seem, its full meaning is seldom realised by those who take up extreme positions in the constant battle between labour and capital. The advocates of the rights of labour are apt to narrow the term labour so as to mean little more than muscular exertion, and to forget that without the higher industrial skill manifested in endless varieties of superintendence and design, the lower forms of labour would be unproductive. To take one simple example of the banking system of this country and the marvellous system of credit which may be considered entirely the product of mental labour—if this system were suddenly broken down, the whole industry of the country would be at a standstill, as complete and universal as if all the unskilled labourers suddenly struck work.

Nothing but an all-pervading despotism of the most irresistible kind, such as no nation ever did, or ever would submit to, could again set the industry of the nation in motion if this credit system, which is the growth of ages, were destroyed. And yet to the toilers in the fields and the mines, the work of the banker may seem either absolute repose, or else a species of recognised social robbery.

But if the champions of unskilled labour rush to one extreme, the champions of what may be called dead capital run to the other. It is, no doubt, quite true that the actual material accumulations of the past are an important factor in production. But just as it is easy to give too narrow a meaning to labour, so

also it is easy to give too narrow a meaning to capital. Adam Smith was, as usual, guided by sound common sense when he boldly declared that the abilities and skill of the inhabitants of a nation formed the most important part of its fixed capital. Capital in the narrow sense of dead material wealth would be more helpless even than unskilled labour without the assistance of all kinds of professional skill, and without the organisation of industry which has been developed by that skill in the past.

Thus the progress of the future, as of the past, in the production of wealth must rest mainly on the silent growth of knowledge, which in industry, above everything, is power. And, observe, this knowledge is not merely narrow technical skill, as the extreme advocates of technical skill are too ready to think; it is not merely the knowledge of the memory and multiplication of the rule of thumb, but the thorough broad education of the faculties which alone render it possible to take advantage of happy accidents and fortunate opportunities.

It is time, however, to pass from this comparatively simple aspect of industrial progress which is summed up in the growth of man's power over nature, to the much more difficult problems connected with the distribution of wealth.

No one can be so blind as to deny the increase of productive power, but many are found to speak of the increasing inequality of social conditions, and of the retrogression, or, at best, the stagnation of industrial societies in the general condition of labour—that is, in reality, of the great mass of the population.

In making comparisons on this subject—in attempting, for example, to compare the distribution of wealth in the fifteenth and nineteenth centuries, or even fifty years ago and at present—it is necessary to take certain precautions which are familiar to trained statisticians, but are too often overlooked by those whose discontent with the present finds expression in praise of the past.

The first precaution which is absolutely essential is to be certain that you are comparing the same things. At the present time the working classes, in the narrowest sense of the term—of those who do manual labour—must include thousands of sub-classes compared with hundreds or tens in earlier centuries. If, then, you wish to obtain a fair idea of the general condition of the working classes, by taking samples, you must be careful to see that your samples are really representative, and that you do not compare the lowest grades of to-day with the higher grades of former times. Yet this is a mistake which is constantly made. An enthusiastic pessimist takes as a sample of the working classes at present the lowest paid agricultural labourer in the kingdom, and compares him with the villeins or serfs in the Middle Ages. He allows that the villeins were under certain disadvantages as regards personal freedom, but insists that as a recompense they held, on the average, thirty acres of land and valuable common rights. But, fortunately for human progress, though unfortunately for the argument founded on these samples, the comparison is not made between similar grades in the social scale. The villein of the Middle Ages does not correspond to the lowest agricultural labourer of modern times; on the contrary, to make

the comparison at all just, the villein should be compared with the substantial tenant-farmer; and if we seek for the proper mediaeval type of our lowest agricultural labourer, he will be found in the slave pure and simple—the chattel which could be bought and sold. Even after slavery in the simple sense had been abolished, or fallen into disuse, the amount of personal freedom was strictly limited. In the reign of good Queen Elizabeth it was enacted that all persons between the ages of twelve and sixty, not otherwise employed, were compelled to serve in husbandry, by the year, "with any person that keepeth husbandry, and will require any such person so to serve within the same shire where he shall be so required," and the act applies to unmarried females between the ages of twelve and forty. The justices of the peace were at the same time empowered to fix the rates of wages, and fines were imposed on those who gave and received more than the rate fixed.

I cannot in the time at my disposal go more fully into the question of the progress of the agricultural labourer in general, but enough has been indicated to show the danger of comparing the samples taken from very different grades of a very wide class. This, however, is only one example of the general error. If it is unfair to take the lowest agricultural labourer as a fair type of the labour employed in agriculture, it is still more unfair to take that type as a fair sample of the working classes in general. The working classes consist, as pointed out, of many species, rising from the lowest form of unskilled labour to the most highly trained skilled labour; and even a roughly approximate estimate

of the progress of the working classes would have to take into account a great many samples. But yet another caution must be added.

I have hitherto followed the usual course of speaking of the working classes in the narrowest sense of those employed in manual labour, using that term also in its narrowest sense. But we ought to remember that one of the chief characteristics of industrial progress in the production of wealth (to which the first part of this essay was devoted) was the increase in those branches of labour which are not included in this usual narrow meaning of the working classes.

There are many teachers, clerks, and professional men of various kinds whose labour is absolutely necessary for carrying on the business of a great industrial society, who work quite as hard, and who do not receive more pay than many artisans.

Thus, if we extend the term working classes to include this large group, still more samples must be taken for an estimate of progress. And then the question naturally arises—if the lower grades of professional labour are included, why should not the higher grades also be embraced in a proper estimate of the working classes? Of course, in some questions it would obviously be absurd to give such a wide meaning to the phrase working classes, but in the general question of the progress of the great mass of the people it is quite clear that if we use the term working classes as equivalent to the great mass of the people, we must give the term working classes a very wide meaning.

I said a little ago that the question of the pro-

duction of wealth was intimately connected with the question of its distribution, or, if you prefer the word, its division amongst the different classes of the community. There is no greater delusion than to suppose that as regards the distribution of wealth the progress of society has consisted in making the rich richer and the poor poorer, and that a small minority of the nation has been benefited at the expense of the great masses of the people.

Now it seems to me there is one absolutely conclusive answer to this fallacy—an answer that is much more simple and much more sure than taking problematical estimates of incomes reckoned in money. Stated in general terms the answer is this: If we look to the occupations of the people,—that is to say, of the whole nation,—if we look to the work they do and the things they produce, then we discover that it is utterly absurd to say that all this labour, or even the greater part of it, is devoted to satisfying the insatiable wants of a comparatively small rich class.

We can base the argument upon unquestionable facts, such as the occupations of the people as shown in the Census, and the actual consumption of commodities as shown in the Returns of the Board of Trade. I shall not attempt to condense a mass of blue books into a few sentences, but the argument is so clear and convincing that a few samples will suffice. As a guarantee, however, that the samples are not unfair, I will take as a guide the material wants of a human body. The most pressing is the want of food and drink. Let us begin, then, with the claims, and needs, and desires of that most vulgar, most necessary organ,

the stomach. I can, of course, only give you samples of the things that enter into the mouth, but they will, I think, suffice.

There were in 1891 in the United Kingdom upwards of 33,000,000 of sheep, 11,000,000 of cattle, and 4,000,000 of pigs. Besides this there were imported enormous quantities of live stock and meat of various kinds. Now I think it would be a very interesting sum to work out: "If all this meat is consumed by a few bloated aristocrats and plutocrats, what must be the average size of their stomachs?" The answer would come out in hundreds of thousands of cubic feet.

Now pass from food to drink. In 1891 (*Statistical Journal*, March 1894) there were retained for home consumption in the United Kingdom more than 200,000,000 pounds of tea, more than 30,000,000 barrels of beer, 39,000,000 gallons of spirits, and 14,000,000 gallons of wine.

Now the slightest consideration shows that all this drink could not possibly be consumed except with the help of the masses of the people. The quantities are too large to be got rid of by a comparatively small class of wealthy people. It is, of course, difficult to put a precise meaning into such a vague expression, but suppose we say this small wealthy class is one million of people. Well, if they consumed all the tea, that would come to about four pounds a week per head, including the children. Fancy the condition of a child who drank four pounds of tea in a week! I may note in passing that the increase in the actual consumption of tea per head of population is one of

the best tests of general prosperity, and in less than fifty years has risen more than threefold.

Precisely the same argument may be applied to the other bodily wants. Consider clothing. If we take account of the quantities of cotton and wool manufactured for home consumption, you will easily see that they must be spread over the backs, not of a class, but of the masses. I do not wish to bewilder you with figures, and I shall only briefly indicate how this argument from the quantities of commodities is confirmed by examining the occupations of the people as shown in the Census. You will see from the vast numbers employed that they can only be employed in providing for the wants of the whole community. In the United Kingdom there are (Census 1891) nearly a million workers in iron and steel, nearly a million in wool and cotton manufactures, and the grand total of those employed in industrial and commercial pursuits is over ten and a half millions.

You sometimes find attempts are made to underrate the advantages of division of labour and of larger industries on the ground that the system is only good for employers. It is forgotten that one necessary condition for production on a large scale is a large market. But in the last resort what does that mean? It means that it will never pay to produce on a large scale, unless the products are scattered up and down the length and breadth of the land, and find their way into the houses of the masses of the people.

If time permitted, I should like to make further and more detailed appeal to the Census Returns. I should like to show you that even when we get

beyond necessaries, in the largest sense of the term,—including not merely bread and water, but fresh meat, beer, and spirits,—even when we ascend from these necessaries into the classes of luxuries, we find a very large consuming power. Take, for example, the numbers employed in books and newspapers, in education of all kinds, in medicine, in the transport of persons by land and sea; you will again find that there must be a wide diffusion of these services and their products.

I should also like to show you in detail the composition of the unoccupied class, *i.e.* those without any specified occupation or calling, but I must content myself with a general description. At first sight this class looks very large, upwards of 50 per cent out of the population; but when you deduct the children and young persons who are being trained for future occupations, and the old people who have retired from business, and the married women who are occupied with their families, and other women who are engaged in domestic duties, the number of these between the ages of twenty and sixty-five without occupation is very small; for example, in England and Wales (Census 1881) under 200,000. But of this class a fair proportion were engaged in work of various kinds which cannot be classed in the Census returns—directing charitable institutions, prosecuting scientific and literary studies. A certain number, again, must be deducted on account of being physically and mentally unfitted to take part in active life, and thus the remainder, constituting the really idle portion of the community, cannot exceed a few thousands.

Thus the analysis of the unoccupied class confirms

the conclusion derived from the analysis of the occupied classes: the great mass of the people at large are engaged in some form of work, and from the nature of that work, from the general conditions of production, from the inter-dependence of national industries, and the inter-lacing and inter-twining of interests, that work, though primarily undertaken at the prompting of self-interest, must indirectly benefit the community at large. The work of the nation is done for the nation.

Compare now in broad outline this working England of to-day with the England of the Middle Ages which we are invited to look back on with regret. In mediaeval England the great bulk of the working population were engaged in a rude species of agriculture. They lived in houses which were little better than mud-huts, they were fastened to the soil by all the strength of law and custom, they were periodically decimated by plagues and pestilences, and the fruits of their labour supported swarms of corrupt ecclesiastics and brutal men-at-arms.

Or, if you do not care to go so far back, take that immortal chapter in Macaulay's *History*[1] in which he describes the state of England in 1685. Consider especially the rate of wages compared with the price of necessaries. Throughout his description Macaulay has in view, by way of contrast, the state of England

[1] Macaulay, *Hist.* vol. i. pp. 413, etc. According to this account four-fifths of the people were employed in agriculture, and Sir William Petty, the principal authority, says people were not in the lowest stage who received 4d. a day with food, or 8d. without food, *i.e.* 4s. a week without food. The rates of wages fixed by justices were sometimes lower, *e.g.* 3s. 6d. September to March. Of course, sometimes they were better, rising to 6s. in winter and 7s. in summer—the highest.

in 1848—the time of writing—and he is astounded at the progress effected. But it is not too much to say that since that time the progress effected has been still greater.

It is impossible at this time to enter into details as to the nature and operation of the causes, but of the

With reference to manufacturers Macaulay quotes a ballad in which a master clothier speaks as follows :—

> In former ages we used to give,
> So that our workfolks like farmers did live ;
> But the times are changed, we will make them know.
> . . . . .
> We will make them to work hard for sixpence a day,
> Though a shilling they deserve if they had their just pay ;
> If at all they murmur and say 'tis too small,
> We bid them choose whether they'll work at all.
> And thus we do gain all our wealth and estate
> By many poor men that work early and late.

Nor were these low money wages counterbalanced by low prices of commodities—in fact, in many respects the real wages were still lower than these figures would indicate. The price of wheat was 50s. a quarter, so that even shopkeepers and yeomen could not afford it. Meat was cheaper, but still so dear that half the families of the common people (about 880,000) ate animal food twice a week, and half none at all. "It seems quite clear that the wages of labour estimated in money were in 1685 not more than half of what they are now (1848) ; and there were few articles important to the working man of which the price was not in 1685 more than half of what it now is. . . . Among the commodities for which the labourer would have to pay higher in 1685 than in 1848 were sugar, salt, coals, candles, soap, shoes, stockings, and in general all articles of clothing and all articles of bedding." In 1685 one-fifth of the population were paupers ; in 1848 only one-tenth in bad years, to one-thirteenth in good.

It is needless to refer to the rise both in money and in real wages since 1848 (cf. Sir Robert Giffen's *Progress of the Working Classes*, Essays in Finance, Series II.) As regards *pauperism*—with a similar interpretation to that of Macaulay—it is now roughly one-twentieth (cf. Booth *Statistical Journal*, June 1894).

general answer there can be no doubt. The essence of the progress of the nation lay in the substitution for a distribution of the national wealth which rested on force, on prejudice, on caste, on superstition, on privileges of birth and station, of a distribution which more and more gave the fruits of labour to those who laboured, and more and more in proportion to the value of their labour, to the rest of the community.

Observe, I do not insinuate that even at the present time this industrial ideal has been fully attained, or even fairly approached. There is still much labour of the greatest utility to the community performed for very little reward, and there is often much reward obtained through some fortunate seizure of a happy occasion for very little labour, or even for placing impediments and obstructions in the way of real progress. But a comparison of the past with the present shows that the chief point of difference in the distribution of wealth—the most striking, the most characteristic difference—is that under present conditions, more than at any previous period, the wealth of the nation is given to the workers of the nation in proportion to the value of their work to the community. I repeat that I do not mean that the industrial ideal has been fully attained, but I repeat also that it is more nearly attained at present than at any former period. And that is progress!

If now we look for the causes of this development, they are, of course, many and various in character; but there is one cause which stands out above the rest in a remarkable degree. In former times constant efforts were made to strangle industrial freedom and industrial

competition of all kinds. The mediaeval legislator tried to fix wages, and not only to fix wages, but to fix the labourer to the station and the very place in which he was born. Craftsmen and traders were placed under all kinds of restrictions in their business—restrictions which to us seem simply so ridiculous that we are apt to lose sight of their vexatious and injurious character. Even the consumer was not left to his own devices, but a fatherly government laid down in the law of the land the food people might eat, the drink they might drink, and the garments wherewith they might be clothed.

In one word, custom and law bound the industry of the nation not only with strong ropes, but with thousands of minute threads, and, in the main, the industrial progress of the nation has consisted in breaking through these ropes and threads and in substituting for the commands of the state, freedom of contract, and for the rigid customs of the community, freedom of competition.

I do not for a moment intend to imply that at present the Government has no industrial functions, and that progress has consisted entirely in the repeal of antiquated laws. But I think you will find that those laws which it has been found desirable to continue and to extend, and which seem to control the freedom of individuals and classes, are in reality, for the most part, designed, by restraining to some extent the freedom of a small minority, to extend the freedom of very large majorities. If, for example, by factory legislation you take steps to assure the health and the education of children, you may indeed check the freedom, or rather the license of a few employers, but you extend

the real freedom of thousands of children; or, to take another example, if you put the promoters of companies under certain restraints, you really give, by increasing security, greater freedom of investment to the public at large.

In conclusion, then, just as the marvellous increase in productive power has, in the main, been due to an increase in knowledge, so the increasing tendency for those who produce wealth to be rewarded according to their labours has been, in the main, due to an increase in freedom; the ideal may be still far off, but through the centuries the progress made towards a just distribution has been real and continuous, because more and more men have been left to their own judgment, their own self-reliance, in making bargains about their labour, instead of accepting the dictates either of a great state or a little community.

Thus in the industrial, as in the moral world, the watchwords of progress have been knowledge and freedom.

V

THE LIVING CAPITAL OF THE UNITED KINGDOM[1]

ALMOST all systematic writers on Political Economy have discussed the question whether or not the skill of the artisan, credit institutions, the national organisation of industry, and other intangible elements in the social fabric should be included in the wealth of the individual or the nation. Adam Smith boldly places under "fixed capital" the acquired and useful abilities of all the inhabitants or members of the society, on the grounds: *first*, that the acquisition of such talents "by the maintenance of the acquirer during his education, study, or apprenticeship always costs a real expense, which is a capital fixed and realised as it were in his person"; and, *secondly*, because the improved dexterity of a workman may be considered in the same light as a machine or instrument of trade "which facilitates and abridges labour, and which, though it costs a certain expense, repays that expense with a profit." J. S. Mill, on the other hand, insists at the outset that "in propriety of classification the people of a country are not to be counted in its wealth. They are that for the sake of

[1] *Economic Journal*, March 1891.

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which its wealth exists. The term 'wealth' is wanted to denote the desirable objects which they possess, not inclusive of, but in contradistinction to, their own persons." It is true that at a later stage in his work Mill attempts to distinguish between the skill and the personality of the artisan, and to include the former under wealth and not the latter, but in doing so he destroys the value of his first position. For just as there are close analogies between the living instrument and the dead, as clearly expressed by Adam Smith, there are also differences of vital importance. To take but one example: the interest derived from dead capital must for many purposes be contrasted with the wages obtained for skilled labour.

Without entering further into this very thorny subject of accurate definitions, it may be premised that the application of the term "capital" to skill and the like will be justified or not according as we wish to emphasise resemblances or differences. In many inquiries we certainly ought to draw a sharp line between capital and labour in the narrow and popular senses of the terms, especially in cases where ethical considerations cannot be altogether excluded. At the same time, however, there are other occasions upon which analogy will be more useful than contrast, and such an occasion is offered by the problem I propose to discuss in the present paper.

Briefly stated, that problem is to find the money-value of the "living capital" of the United Kingdom—that is to say, the "capital" fixed and embodied in the people as distinguished from the lands, houses, machinery, and the like.

The problem is by no means new, and is, in fact, old enough to possess the interest of a revival. It was a favourite topic with Sir William Petty and his followers in "political arithmetic." It may be worth while to quote Petty's general description of his method, and also to give a particular example. The principle is explained as follows [1]: "Suppose the people of England to be six millions in number, and that their expense at £7 per head be forty-two millions; suppose, also, that the rent of the lands be eight millions and the yearly profit of all the personal estate be eight millions more;—it must needs follow that *the labour of the people* must have supplied the remaining twenty-six millions, the which being multiplied by twenty (*the mass of mankind being worth twenty years' purchase as well as land*) makes five hundred and twenty millions as the value of the whole people: which number, divided by six millions, makes above £80 sterling to be the value of each head of man, woman, and child, and of adult persons twice as much; from whence we may learn to compute the loss we have sustained through the plague, by the slaughter of men in war, and by the sending them abroad into the service of foreign princes." The concluding sentence indicates the uses of the method: but a more interesting example may be given—no less than the most "thorough" solution of the Irish problem ever attempted, so "thorough," indeed, that Petty is careful to explain that it must be looked upon rather as a "*Dream* or *Resvery* than a rational Proposition." [2] He begins by saying that he has heard

[1] *Political Arithmetic*, p. 192, edition 1699.

[2] *Op. cit.* p. 226.

many wise men, "when they were bewailing the vast losses of the English in preventing and suppressing rebellions in Ireland, wish (in such their melancholies) that the people of Ireland being saved that island were sunk under water." This is the key to the position. The people of Ireland are "living capital" in a disadvantageous situation. If they were transported to the *more populous* districts of England and Wales and the Lowlands of Scotland their labour would be worth so much more, and the value and strength of this really "United" Kingdom would be so much greater. The example is amusing by its grotesque detail, and it is interesting to note that the same argument is applied also with relentless logic to the Highlands of Scotland. The principle, however, on which it is based is perfectly sound, and has recently been much insisted on by American economists. Up to certain limits the increase of population in a given area more than proportionately increases the productive power of the people. The principle is, in fact, one of the main elements in the advantages of division of labour.

Following Petty's example up to the end of last century most writers who made estimates of the national wealth included as the principal item the value of the "living capital." In recent times, however, this element has been altogether dropped from the calculation. The omission is, I think, unfortunate in many ways, and especially in that it unconsciously leads people to exaggerate the importance of the material wealth of the nation in the narrowest sense of the term. Some years ago a thrill of gratified pride passed through the country when Mr Giffen calculated

that its material wealth (or capital as he called it) was accumulating at the rate of some two hundred and forty millions per annum. A more recent calculation by the same statistician to the effect that, in spite of depression and low prices, accumulations were still going on, though not so rapidly, was also received with undisguised satisfaction—especially by the owners of dead capital. Mr Giffen, it is right to bear in mind, took great pains to explain, especially on the last occasion, that his estimate was necessarily made in a very rough manner. The essence of his plan is to begin with national income as the basis, and to capitalise the various kinds of incomes at different numbers of years' purchase. This income is partly obtained from the income-tax returns (and is so far reliable as a minimum), but apart from this calculation a number of arbitrary and conjectural elements are introduced. There are important classes of income which do not pay income-tax, and there are items of property which do not yield income at all, *e.g.* the furniture in houses and public buildings. Again, of some important classes of income only a certain portion is supposed to be due to capital in the strict sense of the term,—that is to say, as distinct from labour. Thus only one-fifth of the incomes of trades and professions (in Schedule D) is accounted for in this way—the remainder being, in the language of the economists, "wages of superintendence." Of the income of the lower middle class and the labouring classes a still smaller proportion is set down as due to capital proper. It is plain also that the number of years' purchase selected in different cases is somewhat arbitrary, and

in every case must depend partly on the rate of interest. It is necessary that these qualifications should be borne carefully in mind, for there is something so pleasantly definite about two hundred and forty millions per annum that the steps in the calculation are liable to be forgotten.

It is well, also, that some of the teaching of the older economists should be remembered—that capital, although saved, is always being consumed, and that, as Adam Smith says, "the annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes." If this learning is somewhat too musty, at any rate the American statistician, Mr Atkinson, may be heeded when he states that the richest nation has never more than the value—all told—of two or three years' production in hand in a concrete form, and that the whole world is always within a year of starvation. The recent accumulations of dead capital, when regarded in this manner, will assume somewhat less startling proportions.

A far better way, however, of restoring the due economic perspective seems to be to revert to the method of Petty and the early masters, and to assign a value to living, as well as to dead, capital. In order to make the comparison as fair as possible, I shall first of all take Mr Giffen's figures for the various classes of income, and also for those parts of the various incomes supposed to be derived from the possession of capital in his sense. In this way a first approximation will be made to the income derived from "living" capital, and greater accuracy may be then attained by considering

in more detail certain kinds of income, and also certain comparatively permanent sources of "wealth" (personal) which do not yield income.

The fundamental difficulty, which has probably thrust this problem into the background, is to pass from income to capital. We are all familiar with capital valuations of lands, houses, etc., based upon the revenues which they yield, but since the abolition of slavery in civilised communities we are not familiar with the capitalisation of wage-earning power. The short and simple dogmatism of Petty, already quoted, as to the mass of mankind being worth twenty years' purchase *as well as land*, seems, at any rate, to require elucidation. Why should the mass of mankind, it may well be asked, be worth neither more nor less than land? If land becomes worth thirty years' purchase, will mankind rise in value in equal proportion? and if land falls in value, will humanity fall also? The "indestructible and original powers of the soil" are, by implication, as immortal as man is mortal, and, unlike him, require no care or labour for their preservation; and the points of contrasts between land and mankind might be indefinitely increased.

This preliminary difficulty, however, must in some way be surmounted before the comparison between "dead" and "living" capital can be effected; and a few facts may be noticed which serve to show that the valuation of human beings is not so remote from ordinary thought as at first sight appears. Constantly, for example, cases are occurring in the law courts which recall the methods of compensation adopted by our Saxon forefathers. A money-value is

placed upon husbands, wives, sons, and daughters, and even upon their component parts. The loss of a leg has its value appraised equally with blighted affections and shocks to the system. Again, to look at the question from another point of view, every father of a family knows that it costs a considerable sum to rear children to a self-supporting age, and the higher the trade or profession selected so much the greater is the cost.

Estimates were recently given in a newspaper, expressly for the guidance of parents, of the total cost of qualifying for various employments.

These instances, however, do not at once suggest any practicable method of valuing the total human stock of a nation, with its infinite variety of ages, occupations, and abilities. A simple enumeration and summation is plainly impossible. The difficulty involved in the ages alone, from this point of view, seems at first sight almost insuperable.

We must exclude the very old and the very young, so far as earning-power is concerned, or even regard them as of negative value—but where shall we draw the line?

The clue to the solution seems to be given in the practice of insurance companies, based on the principle that whilst the individual dies the race remains, and not merely the race, but the classes and divisions of the race remain to a great extent uniform. Life insurance is mainly concerned with age and mortality, but a similar principle may be applied to the occupations of the people. The individual lawyer or carpenter perishes, but the profession or the trade

survives, like a Platonic idea. In a stationary economic condition of a people, we might suppose that every trade and profession is an immortal, unchanging corporation. In this way we can see that Petty was justified in valuing the people as he valued the land —both are permanent sources of income. If the society under consideration is progressive, we are still more justified in this method of procedure in arriving at a minimum valuation. If wages are rising and the number of workers is increasing, we may be certain that after an interval of, say, ten years, the value of the "living capital," however estimated, will be greater than at present, and this living capital may be regarded as of the most permanent kind.

When this principle is once admitted, the only difficulty is to separate that part of the total income of the community, due to living labour in every shape and form, from that part due to capital in the narrow sense of the term. As the main practical object of this paper is to supplement Mr. Giffen's familiar estimates, it will be convenient, as already indicated, to take his figures to start with.

In an essay [1] on the progress of the working classes, Mr. Giffen states:—"The capitalist as such gets a low interest for his money, and the aggregate return to capital is not a third part of the aggregate income of the country (which may be put at not less than £1200 millions), and is, as I should estimate, not much more than a fourth part." It follows at once from this that the value of the "living capital" is, at any rate, nearly three times the value of the dead.

[1] *Essays in Finance*, 2nd Series, p. 403.

If it be objected that this simple method of valuation is illusory, I reply that it is actually less illusory than Mr. Giffen's own calculations, for the living capital of the race is less perishable than much of the so-called material capital.

But the full strength of the case can only be seen when the details of Mr. Giffen's method are examined. Take, for example, the table quoted in his recent work on the *Growth of Capital* (p. 11). The object of this table is to give the amounts of the principal classes of income, and to capitalise those parts of these incomes which are supposed to be derived from capital proper. Now it will be found that of the total income of the trades and professions for 1885, namely, £180 millions, only one-fifth part is supposed to be derived from capital, and this is capitalised at only fifteen years' purchase. But the curious thing is that in the other items of income no such corresponding division is made. The largest item in the national inventory is the value of the houses. This is obtained by simply capitalising the return of rental under Schedule A in the income-tax returns at fifteen years' purchase, by which a gross value of nearly £2000 millions is obtained. But it is perfectly plain that houses would not yield a return of between 6 and 7 per cent unless a certain portion were actually earned by the constant expenditure of labour. Similarly as regards the income from lands, farming capital, railways, waterworks, and all kinds of companies, a division ought to be made in the same way as in the income derived from trades and professions. The value of the dead capital would in this way suffer a corresponding diminution.

Some idea of the importance of this point may be obtained from considering the *aggregate* figures of incomes (paying income-tax) and the corresponding capital—the former, taking Mr. Giffen's figures, being (roughly) £429 millions, and the latter £7620 millions. This gives the average of years' purchase at 18, or, in other words, the yield to the capital is about $5\frac{1}{2}$ per cent.

Now it is plain that if the pure rate of interest, as indicated by railway debentures and corporation stocks, is only about 3 per cent, this extra return to capital must be considered as mainly due to the labour involved in maintaining and employing the capital. The element of risk when the question is considered from the national point of view is obviously of comparatively small importance.

Passing now from the capital owned by those paying income-tax to the other principal items in the national inventory, the first in importance is the "movable property not yielding income, *e.g.* furniture in houses, works of art, etc." This valuation is made by simply taking half the value of the houses, and reaches the round figure of £1000 millions or thereby. For the purpose in hand it is only necessary to observe that even to make a proper use of this movable property involves a large amount of labour, which is unrepresented in the wage-earning or profit-earning classes. The musical and artistic skill, for example, "fixed and embodied" in young ladies should be included in an estimate of living capital, just as much as their pianos and paint-boxes are included in the dead capital. It is plain that the value of the greater

part of movable property would vanish but for the acquired abilities of the inhabitants. A simple example will make this point clear. The more widely spread the love of art of the highest kind, so much greater will be the value of old pictures. In the ancient world, when slaves were trained in all kinds of accomplishments, a very high value was placed upon natural abilities and education, and the mere fact of personal freedom cannot be held to destroy the meaning of an economic estimate. But this argument must, if valid at all, be carried further.

In order to make an adequate estimate of the value of living, on the same basis as in the case of dead, capital, the men, women, and children must be considered not merely as creating or giving value to so much material wealth, but as in themselves constituting, like the movables of the inanimate inventory, more or less permanent sources of enjoyment. Domesticated humanity may properly be considered to have a money-value—*first*, because it costs a very real expense to produce and maintain; and, *secondly*, because it furnishes pleasures which common experience shows rank very high in the scale of limited and desirable things. This second ground of valuation is of importance qualitatively, as showing the real basis of the comparison, but it is plainly unworkable quantitatively, and it therefore seems necessary to fall back upon cost of production for a measure, as in the case of public property, which also is not directly exchangeable.

Take, first of all, a simple hypothetical case to illustrate the principle. Five shillings a week for fifteen years is about £200, and this does not seem an

extravagant estimate for bringing up the child of a superior artisan or tradesman. The value of the house in which the child is reared would probably be something less than this sum ; in other words, an " economic man " could more easily purchase a house in fifteen years than rear a child during that period.

The example is plain enough, but to advance from the particular to the general is by no means so simple. Several distinct difficulties are involved—difficulties of age, sex, and social position, for example. Seeing that only very general results are aimed at, something like Mr. Giffen's simple method of halving a known item seems very attractive; if the dead movables are half the value of the houses, why should the living not be roughly estimated in the same manner? As the object of the present inquiry is mainly comparative, in default of any better plan the value of the house may provisionally be taken as the basis of the valuation of the people in it, just as it is taken as the basis of their expenditure for purposes of taxation.

It only remains, then, to determine this quantitative relation of the two valuations—the cost of producing the people compared with the cost of producing the house. The principle applied must be simple and general; it is impossible to make a summation of problematical figures for different classes. The best clue to the selection seems furnished by the example already taken. We may compare roughly the rental of the house with the expenditure on the persons it contains. Now, according to Mr. Giffen's tables, the total rental of houses is about £128 millions, whilst the total income of the nation is about £1300 millions,

from which it follows that ten per cent is spent upon house-rent. If we take the usual figure of five persons to every house, and further assume that ten per cent of income is spent upon the complete maintenance of each person and ten per cent on rent, we shall still have four-tenths of the income left over. Accordingly it does not appear beyond the mark, taking the family as a permanent institution in the sense already explained, to consider every "person" as of equal value with the house in which he lives, and every family of five times the value of the house. As this part of the estimate of the living capital presents most difficulty, and is most liable to be misunderstood, some further explanation or justification may be derived from the following considerations. In the first place, in the Census Returns nearly 60 per cent of the population are placed in the "unoccupied" class. On analysis, however, it appears that this class comprises children and young persons who are preparing for occupations of various kinds, and women who, as wives and daughters, are occupied with household duties. Now a child has as just a claim from the present point of view to valuation as a colt, and the employment of domestic servants and governesses shows that the unpaid work of women of the class described ought to be considered of at least equal value. But secondly, even the "occupied" classes must be considered not merely as earning income, but as furnishing in their private capacity utilities to the community or to their families on which a value may properly be placed. There is no difficulty in seeing that in an estimate of "living capital" some allowance must be made for the people

themselves (apart from their wealth-producing power) —the difficulty is to determine the most reasonable measure. Cost of production or of maintenance (if we consider the various classes as immortal species) has the advantage of simplicity, and may also be supported by various analogies, *e.g.* public works, lighthouses, roads, breakwaters, would naturally be valued by their original cost and the additional annual outlay.

It is not necessary to enter into particulars regarding all the items in Mr. Giffen's table of material wealth. The general result is perfectly plain; the closer and more critical the examination, so much the greater appears to be the relative importance (taking, as far as possible, the same basis and method of calculation) of the "living" to the "dead" capital. It has already appeared in the course of this inquiry that the method of calculation adopted by Mr. Giffen is, in some respects, inconsistent. There seems to be no sufficient reason discoverable for the precise figures adopted for turning income into capital, nor for deciding what part of income ought to be considered as derived from capital proper, and what part from the management of the capital. Farmers' capital, for example, is calculated on the basis that it yields over 12 per cent *per annum*—

O fortunatos nimium, sua si bona norint, Agricolas!

In conclusion, after this reiteration of the necessity of caution, an attempt may be made to give the appearance of numerical precision to the estimates of the national capital, living and dead. For the latter, Mr. Giffen makes a grand total of some £10,000 millions.

Of this amount, however, the movable property in houses, etc., and the Government and local property in the shape of buildings, docks, etc., to the amount of nearly £1500 millions do not yield income, whilst another £500 millions of capital is invested abroad. Thus the dead capital in the country *yielding income* is about £8000 millions, and the income yielded (deducting that from foreign investments) is about £500 millions.

Now it will be observed that the pure interest on £8000 millions at 3 per cent is £240 millions only, or not quite half the amount (*i.e.* £500 millions) put down as derived from dead capital. It follows, adopting the principle examined above, that the other 3 per cent, or thereabouts (or the other half of this income), must be put down to the "living capital" associated with the dead capital; in other words, if the capital (in the ordinary sense) of the country actually yields 6 per cent, whilst the rate of interest, pure and simple, is only 3 per cent, half this total yield is due to the labour of the capitalist. Now the capitalist (*i.e.* the species, not the individual) *qua* labourer, remains as much a permanent factor of the industrial resources of the country as the land itself, and therefore we may fairly assume that the aggregate value of the living capitalist (considered as an enduring species) is, on Mr. Giffen's showing (adequately interpreted), about equal to the aggregate value of his capital, *i.e.* about £8000 millions.

In giving, however, an estimate of the national "living" capital, it will be best to take the items in the order of their importance. The figures, as Mr.

Giffen says of his comparatively small "dead" capital, are so large that a million or so is of no consequence, and the calculation must be made in a very rough manner.

Assume, then (following Mr. Giffen as already quoted), that the income of labour in the ordinary sense is £800 millions per annum. At thirty years' purchase this gives the value of labour *qua* labour as £24,000 millions. Next consider the capitalist as an employer and worker and not merely as the receiver of interest. Mr. Giffen assumes that four-fifths of the income under Schedule D (trades and professions) is really not interest but earnings of management. This, however, amounts to upwards of £140 millions, and capitalised as before extends beyond £4000 millions. To this amount must be added the £8000 millions derived, as already explained, from considering the management of the aggregate national dead capital. The total is thus £12,000 millions. Next we must consider the people of the country not as mere producers, labourers, or employers, but as "things in themselves," or rather superior domestic animals reared for their affectionate dispositions and intellectual and moral activities. Here, as already explained, it seemed best to take a rough empirical rule founded on "cost of production." For the present purpose it has been assumed that every "person" is worth, or rather costs, at least as much as every "house." Without stopping to expand the meaning of the inverted commas we reach at once a sum-total of £10,000 millions.

Lastly, taking the income of those who return under

Schedule E (official salaries and the like), and capitalising in the usual way, we conclude the inventory of the national living capital with the modest item of £1000 millions.

The results, arranged in order, are: Living labour (ordinary), £24,000 millions; living labour (trades and professions), £12,000 millions; domesticated humanity (all kinds [1]), £10,000 millions; professional salaried officialdom, £1000 millions—in all, a grand total of £47,000 millions.

Thus, the living capital of the United Kingdom is, taking the estimate given above, about five times the value of the dead!

Or, to illustrate the general by the particular, the just ransom, appraised on commercial principles, of the men, women, and children, would be five times as great as the market price of all the material wealth—lands, houses, railways, mines, furniture, pictures, and the infinite variety of instruments of production and objects of consumption!

This estimate of living capital is no doubt open to question, both as regards the principle on which it is based and the actual figures adopted. But the important point to observe is, that it is as well founded and as useful as the corresponding estimate of capital in the narrower sense of the term.

It may be well to restate the general principle in the light of the conclusion. There are two main positions. First of all, the people of the country are

[1] As explained above, this item is obtained by considering the people as valuable "things in themselves," and not merely as wage-earners.

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regarded (like the dead capital) as earning so much income. There can be no question whatever that the part of the national income due to personal exertion of all kinds is far larger than that derived from the pure interest on previous accumulations, or from the rent of appropriated natural agents. The relative proportions assigned, it may be remarked, might have been set down still more in favour of "living" capital if other considerations had been allowed for, as, for example, the "abstinence" involved in saving. It seemed best, however, not to carry the analysis beyond the point already accepted in the corresponding estimate of "dead" capital, which has always been kept in view.

Exception may, no doubt, also be taken to the method of capitalising this income; but in a stationary, and still more in a progressive, state of society, it seems legitimate to look upon this income as derived from permanent sources—in short, to acknowledge that life is as permanent as land. Now, in capitalising permanent kinds of income, where, from the national point of view, risk may be omitted, the rate of interest must obviously be the basis, and at present thirty years (or even thirty-three) may be fairly taken.

But secondly, just as Mr. Giffen and others give a value to that part of dead capital which does not yield income (*e.g.* the furniture in houses), so a value must be given to "living" capital simply as a permanent source of enjoyment. Here the natural basis (seeing that exchanges of this kind of capital are not now made) seems to be cost of production. As regards the precise method to be adopted, opinions may differ;

my own choice was influenced largely, apart from the reasons already given, by the idea of making the comparison with the dead capital as close as possible. A more accurate method, however, might with some difficulty be founded upon aggregate national estimates of various kinds of annual consumption, expenses of education, and the like.

The uses to which the general result may be applied, after making every possible allowance for correction, are so various and far-reaching, that they demand a separate investigation. It is sufficient now simply to allude to such problems as Socialism and the relations of labour and capital (in the narrow sense); national education of all kinds; and, finally, the nature of the progress of civilisation in its historical aspects, as indicated by the growth of "living capital."

VI

CAPITAL AND LABOUR: THEIR RELATIVE STRENGTH[1]

In the first number of the *Economic Journal* I published a paper entitled the "Living Capital of the United Kingdom." The central idea was to estimate in terms of money the value of the people of this country, *i.e.* the living capital, by methods similar to those which had been used for calculating the value of the material wealth or the dead capital: the lands, houses, railways, etc. At first sight, no doubt, there is something paradoxical in saying that a man as such, not being a slave, apart from his possessions is actually worth so many pounds sterling; and the paradox seems to be magnified as we ascend from the individual to the whole nation. Yet there is after all a very real meaning in an estimate of this kind. The living capital, like the dead, costs much to produce and keep in a state of efficiency: there is a very real expense in rearing and educating children before they are capable of earning their own living. Capital (in the ordinary sense) must be sunk in them just as in coal-

[1] *Economic Journal*, September 1892.

pits or ships; there is probably no machine that takes so long to bring to working order as a human being—the average man is the most costly of animals.

And from another point of view also humanity may be said to possess value: man not only costs much wealth, but produces much wealth. In the last resort all wealth is due to the manipulation by man of the forces of nature, or, without going so far, man earns an income in the shape of wages, just as land, houses, and machines earn rent and interest. Thus then on examination the paradox disappears, and it seems theoretically possible to estimate the value of mankind on the grounds both of cost and of earning capacity.

A good many things, however, are theoretically possible but practically impossible—we may know how to do sums, but we cannot do sums without figures; and where are we to find the figures the summation of which will give us the value of a nation? The answer is that, as in the case of the material wealth of a nation, we can only obtain our results indirectly. In material wealth we start with the income-tax or succession duties, or some other official estimate of certain portions of income or capital, and then we make very rough estimates for the remainder, as, for example, when we assume that the movables contained in houses are of half the value of the houses.

Computations of the national wealth—even in a country like the United States where some attempt is made at an enumerated valuation—are necessarily very rough and, considered absolutely, untrustworthy. But one of the most important principles of statistics is

that for relative purposes—for purposes of comparison—if we adopt the same methods, the proportions may be sufficiently correct to be valuable in spite of original errors in the absolute amounts. Take, for example, the question of the comparative growth over a period of ten years in the wealth of the various parts of the United Kingdom—England, Wales, Scotland, Ireland. We may be wrong—far wrong—in the absolute amounts assigned, but if we adopt the same methods and apply them under the same conditions the comparative results may be quite trustworthy or at any rate worthy of consideration for practical purposes.

In the same way if we apply the same methods to estimate the relative values of living and dead capital, valuable results, though only proportionate and relative, may emerge out of aggregates which in themselves make no claim to strict accuracy.

The object of the present paper is to draw some practical conclusions, and not to reassert or justify the methods and results of my previous calculations. At the same time, one part of the theoretical method adopted may be adverted to on the ground that it has directly an important practical application. In estimating the value of various kinds of labour I proceeded on the assumption that although the *individual perishes the species survives.* Take, for example, a stationary state of society; assume that the population, methods of production, and general distribution of wealth remain practically the same for a hundred years. In such a society there will probably be not a single individual alive throughout the period, and yet under the conditions assumed there will be all the time about the

same number of people of various ages and about the same number engaged in various occupations. The individual carpenters, drapers, lawyers, etc., will have passed away, but their places will have been taken by others. In fact, just as we used to be told that every particle of the body was changed in seven years, whilst the body was still supposed to be the same, so we may assume that the body of carpenters, etc., remains the same though the component elements have changed. It follows then at once that we may look upon the various species of labour in a stationary state as practically immortal or, what is more to the point, may consider labour as durable as land.

If then we are justified in taking the capital value of land at thirty years' purchase, we ought to estimate the capital value of labour at the same rate. It is true that to get wages labour must do work; but it is also true that to get rent land must also do work.

Now it seems to me that this very idea of the permanence of labour,—and for the present I use labour in its ordinary sense, and not, as later on, as inclusive of all grades between the prime minister and the shoe-black, —this very idea apart from any quantitative expression is fruitful of practical results; for the idea which makes the labourer immortal makes his wages or reward also continuous. Much harm has been done by considering the living labourer as an individual, and dead capital as a species—the former as liable to all the accidents of life and to the certainty of death, the latter as indestructible and immortal. People speak of the conflict between capital and labour, and by capital they mean what they say, but by labour they mean individual

labourers, and the conflict seems something like that between an express engine and a tunnelful of navvies, where the engine must always get the best of it.

But if we regard labour as meaning labourers, we should regard capital as meaning the various concrete capitals of various individuals—if the one is perishable so is the other. The owner of a ship or a factory or any other form of capital can get no profit unless his capital is employed, and if it remains unemployed and uncared for, it loses value, and in many cases the value may disappear altogether. A man who cannot employ his capital loses his income as surely as the labourer out of work loses his wages; the former likes it no more than the latter, and it is notorious that the capitalist will carry on his business even after profit has disappeared simply to keep up his capital. It is well known that in several cases lately in England farmers were allowed to stay on rent-free—in some cases even the landowners in addition undertook certain repairs. Was this charity? Possibly to some extent, but certainly business also, for otherwise the farms would have been ruined.

Instead, however, of regarding both capital and labour as equally perishable let us consider both as equally permanent. We are thus able to confer on labour some of the advantages which are generally only ascribed to capital. No complaint is more common in regard to ordinary labour than the uncertainty of employment owing to fluctuations in trade. We are constantly reminded that most wages are paid by the week, and that a labourer is liable to dismissal, and thus indirectly to starvation and death. But

though this may be true of *a* labourer it is not true of labour. To say that all the labour of a country, or even a considerable part, could be dismissed by capital into starvation is palpably absurd. I am not forgetting that lock-outs may occur. But they are not so common as strikes, and at any rate they are only for differences —for a relatively small percentage of wages or some relatively small change in the conditions of employment. I never heard of a capitalist dismissing all his hands as an offended lady may dismiss her cook; still less would a body of masters meet together and agree to dismiss all their men simply to show their authority. The losses involved in the stoppage of the employment of capital are too serious for amusements of this kind.

Accordingly if we regard labour as a whole, and consider a sufficient period, we find that the uncertainty of employment is reduced to moderate dimensions. I see from official returns [1] made as to the state of the skilled labour market that when about 4 per cent are out of employment this is described as indicating only a moderate demand for labour. But if, when 96 per cent are employed, the demand is only moderate, what, I ask, becomes of the uncertainty of employment? It must be remembered also that many of these unemployed are on strike. Surely a moderate degree of thrift and a very little foresight ought to keep the wolf from the door.

I trust I have not made my point so clear as to appear a truism—if I have, a particular example may serve for the obscuration necessary to interest. The

[1] *Board of Trade Journal*, October 1891.

advocates of a peasant proprietary, and generally the *laudatores ruris*, dwell on the uncertainty of the wages, and thus of food and shelter, of the dweller in the cities compared with the happy peasant. No doubt in many respects the peasant has the advantage, but hardly in the matter of certainty of income if we compare classes. Consider, for example, the present famine in Russia, the potato famine in Ireland in 1846, and the periodic returns of scarcity in Scotland under the old crofting system.

The truth is, that the wage-earners of this country as a whole—I refer to the great mass of ordinary labourers —have a much more stable income than the mass of peasant proprietors in other countries; the yield to labour on the large system of industry is more *certain* than the yield to land of the *petite culture*. Apart from this it must also be observed that the former is greater in amount and therefore leaves a larger margin for saving or insurance in case of need.

Apply now this idea of permanence to the family. It is true that the family is not now so emphatically the unit of society as in ancient times, but for the sake of clearness a reference may be made to simple conditions of society. At one stage of development—for many centuries—the family was actually regarded as permanent. The permanence of the family was the most prominent element in the practical religion of early societies. Bequest outside the range of the family was unknown, and there was practically, though not technically, common holding of the property. Now although in modern societies the individual is accentuated, the institution of the family has not disappeared: parents

support their children in necessity, and children their parents. In many countries such support is compulsory by law: I believe I am right in saying that in Scotland a man is liable for the support of his mother-in-law, even if his wife is divorced. At any rate there is no doubt still a sufficient cohesion in the individual members to justify the practice of many economists of taking the family as the unit in considering the capacity for earning wages. Now from the point of view of investment of earnings, an ordinary labourer cannot do better than give his children a sound education—physical, moral, intellectual. The peasant proprietor in many cases starves and overworks his family to feed his land; from the point of view of national economy there could be no greater mistake—the living capital should feed upon the dead capital, and not the dead upon the living.

But the idea of the permanence of life is not yet exhausted. Hitherto labour has been regarded as consisting only of the lower grades of labour, but the peculiarity of a modern industrial society as compared with the simple ancient agricultural societies is the great complexity and variety in labour in the true sense of the term. Consider the "unoccupied" class of the Census.[1] If we put aside children under fifteen who may be assumed to be "occupied" with their education; women, who are occupied with domestic duties; old men about sixty-five years of age; and if we assume further that of young persons between fifteen and

[1] *I.e.* those returned by rank, property, etc., and not by occupation; nominally for England and Wales 57 per cent of the population. (*Census of* 1881.)

twenty in the so-called "unoccupied" class many are preparing for professional life, then the "unoccupied" class—in the sense of the really idle portion of the community (England and Wales)—is reduced to very small dimensions: out of 25,000,000 it does not amount to 200,000. Of these again many are engaged in managing their estates, in scientific or literary pursuits, and various forms of social work. Thus of men between twenty and sixty-five the vast majority are engaged in some form of labour in the extended sense of the term.

Now in the permanent stationary society we are considering, it is true that the groups of workers remain relatively the same, but it is not true that there is a system of oriental castes. There must always be hewers of wood and drawers of water, but the curse, if it be a curse, does not descend unto the children or children's children. Just as in his imaginary Republic Plato provided that if a golden child happened to be born of iron parents he should be promoted to the golden rank, so also in the actual system of industrial competition and natural liberty the strong rise and the weak sink in the social scale. All of us know cases of men in the highest stations sprung, as we say, from nothing, and also cases in which before the third generation the children of the great capitalist have dropped to a low level. And the more education is spread so much the more effective does this competition become. And here I may remark parenthetically that the best economic justification of free education and of assisted education of various kinds is that the strong may have opportunities for showing their strength, or in other

words, that the workers of the nation shall be occupied according to their capacity.

To resume then: We couple with the idea of permanence the idea of permutation—the permanence of occupations with the permutation of individuals—and thus we narrow at once the chasm between so-called capital and labour, or between classes and masses. Of course I do not mean to imply that at present all have equal opportunities—that would only be possible under an omniscient, infallible, and absolute despotism. It is enough to say that those who speak of the tyranny of capital and the slavery of labour make a very ill use of language, and overlook what is unquestionably the most important fact in the history of civilisation—namely, the break-up in progressive societies of slavery and serfdom.

It is time, however, to pass from the meaning and method of computing living capital to the *comparative* results and their consequences. The principal result obtained in the calculation was that for the United Kingdom, the value of the people—the men, women, and children—was £47,000 millions, compared with about £10,000 millions, the value of the dead capital—the lands, houses, furniture, etc. Now I confess that to me this result seemed rather startling, and some of the consequences, although obvious, seemed startling also. But unfortunately I forgot that with the vast majority of people anything expressed in terms of millions is expressed in terms of unknown quantities. I made out the value of the people of the country to be £47,000 millions sterling, but if the result had been instead one million or a hundred thousand millions, to

most people it would have been as interesting and as intelligible as the distance of some fixed star. For ordinary reasoning anything above a million is practically infinity. But although the magnitude of the absolute amounts of living and dead capital eludes the intellectual grasp, it is not so with the relative amounts. Forget then the millions and consider only the proportions. Regarded in this way my result was that if we reckon up the value of the people in the same way as we reckon up their possessions—that is, if we take the principles both of earning capacity and of cost of production and maintenance—then the value of the living capital is about five times the value of the dead. We have got rid of our millions—even savages can in general count five fingers on one hand. There is certainly no doubt that, whatever methods we adopt, this general proposition is true—the value of the people of a community, whether considered as earning income or as involving cost, is much greater than that of their material wealth, including productive capital and objects of enjoyment.

We have again approached the clear and watery lucidity of the truism, yet it seems to me that this very general proposition is a most potent economic instrument both for the destruction of fallacies and the extraction of truth. Consider just one or two fallacies. We are told that the wealth of the community is gradually being concentrated in a few hands, and that in the natural evolution of society we shall have ultimately—just before Socialism is established—if I may again use figures, an upper ten thousand possessing all the wealth, and a lower ten millions doing all the

labour, and doing all the labour for their masters the upper ten. Now apply the truism at which we arrived. The great mass of the labour of a nation is devoted to satisfy the wants, not of a few individuals, but those of the mass of the nation itself. Instead of labour being used mainly to pile up heaps of dead capital in the hands of a few, it is used mainly in the creation and maintenance of living capital embodied in the labourers and their families. Take a rapid survey of the production and consumption of the material wealth of the United Kingdom. We have the most productive agriculture in the world, and practically none of that produce is exported. We may indeed assume that at present we grow hardly half the food we consume. Now it needs no demonstration that the upper ten thousand could not, even with the aid of their servants, horses, and dogs, consume this wealth. It must go to the bulk of the people, it must be converted into the living capital of the nation. Consider our manufactures, in which our supremacy is still greater. Does a fraction of society wear all the cotton and cloth, use all the pots and pans, all the boots and shoes, all the blankets, and, in a word, all the produce of manufacture on a large scale? It is utterly absurd; production on a large scale is only possible with a market on a large scale, with consumption on a large scale. Thus again the great bulk of our manufactures must go to the great bulk of the nation. It is true a large part is exported, but then exports are paid for by imports, and the most important part of these is again food and the raw material for more manufactures. We might in this way go through all our great staple industries, but one more example must

suffice. Consider the enormous capital sunk in railways. People are too fond of looking simply at the interest obtained by the shareholders, which is generally exaggerated, and wages obtained by the workers for their work. But look at railways from the national standpoint. It is notorious that as regards passengers the great majority are third-class, and the passenger service of the great railways would not pay unless they were used by the mass of the people. Similarly with the goods traffic: there again we see even more clearly that the service is conducted not for the few, but emphatically for the many—not to pile up luxuries in the houses of the rich, but to minister to the physical wants of the great mass of the people.

To resume then: If we look upon a nation from the standpoint of the permanence of various classes, we see from the very nature of modern industry that the great mass of the annual produce must be consumed by the great bulk of the people.[1]

Let us now consider the question more directly from the point of view of production, so as to discover the relative importance of living and dead capital considered as parts of modern industrial organisation. The chief results of my calculations were that if we take the dead capital which yields income as the basis of comparison, then ordinary labour, considered as living capital also earning income, is three times as valuable,

[1] "The whole consumption of the inferior ranks of the people, or of those below the middling rank, it must be observed, is in every country much greater not only in quantity but in value than that of the middling and of those above the middling rank. The whole expense of the inferior is much greater than that of the superior ranks."—*Adam Smith*, book v. chap. ii.

and the labour of the employers and of all the various professions is about one and a half times as valuable as the dead instruments of production (including land). Thus on the whole, for carrying on the various employments of the nation, labour of all kinds, from the highest to the lowest, is four and a half times as important as land, machinery, railways, etc. Stated quite generally, the result is that the productive powers of the nation depend much more upon its living people than upon its previous accumulations and its material instruments. Consider the question for a moment from the historical standpoint, and compare the productive capacity of the country at the present time and (say) in the fifteenth century. Our present production is greater, not so much because of the accumulations of material wealth, but mainly through the greater efficiency of labour of all kinds, especially the higher grades of labour devoted to practical science and the organisation of industry. In other words, our great inheritance from the past is not to be found in the storehouses of the rich and the treasuries of kings, but in the living brains of the people.[1]

We have again reached what may seem a truism, but again we have an application to a popular fallacy. It is too often assumed that the inequalities in the distribution of wealth are mainly due to the monopoly by a few individuals of the material instruments of production. No doubt at one time when society, mainly agricultural, rested on slavery or serfdom, a principal cause of inequality of fortune was to be found in the unequal distribution of land and the

[1] *Cf.* List, *National System* (translation), p. 140.

instruments of production. But with the progress of society this cause has become of minor importance. The principal cause now of inequality of income is not the partial monopoly of the material instruments of production, but the partial monopoly of brain-power of various kinds. We must look at society as a whole, and not be deceived by a few exceptional cases. That I may not seem to be beating the air, let me give an extract from a prominent Socialist—Mr. Sydney Webb. "A fortunate few," he says, "owing to their legal power over the instruments of wealth production, are able to command the services of thousands of industrial slaves whose faces they have never seen, without rendering any service to them or to society in exchange." [1] Apparently from the last clause the writer has in view especially the owners of land. Take agricultural land. In this country the great land-owners let their land to tenant-farmers and receive about as much interest on their capital as the owners of consols. If a tenant-farmer has not brains or business capacity—if he does not look after his farm—he will speedily become bankrupt. Take manufactories: unless they are properly managed they must be closed. And so through the whole range of instruments of production; the owners as such, by way of rent or interest, may obtain a moderate return to their capital, but the real management of labour—in Socialistic phraseology the exploitation of labour—is left to another class. This is allowed apparently in the next passage I will quote from the same writer. "A larger body of persons contribute some labour, but are able from their culti-

[1] *Economic Journal* for June 1891.

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vated ability or special education to choose occupations for which the competitive wage is high owing to the small number of possible competitors." Well, take as an example of cultivated ability or special education the employers of labour generally. Surely their higher wages, if they happen to be high, are not due to absence of competition. The competition is notoriously so fierce that any initial advantage is soon neutralised unless there is also initial ability. The men who make money in business are in the main those who conduct their business best, and who make or adopt improvements of various kinds. Take the professions: no doubt special education is required, but it is certainly not the small number of possible competitors that makes wages high. As a matter of fact the competitors are so numerous that a professional man of only ordinary ability may often make no wages at all. The most potent cause of inequality of wealth is inequality in brain-power. There are a few who in almost any occupation would rise to the top, and many who would equally sink to the bottom. There are certain kinds of brain-capacity, the outcome of a conjunction of natural ability, education, experience and, it may be, opportunity, which are comparatively rare, and, like other rare things, command a scarcity value; intellects of this sort also directly or indirectly save much labour, or increase the efficiency of labour, or more generally add to the wealth of society, and therefore (taking an average) deserve this scarcity value. It is to minds of the creative order that the industrial progress of society is originally due; by new ideas they break through routine, and open up new markets, new in-

dustries, new methods. There are again men of lesser creative power, but capable of carrying out these ideas—men of great force of character and practical wisdom. For one George Stephenson there are many railway managers, and for one manager many porters. It is not necessary to illustrate further the descending scale of capacity, but it is necessary to insist on the general principle; for the idea is still prevalent that all that any person requires to rise in the industrial world is opportunity in the shape of capital, and that in brains, so far as any are required, all men are equal. But in industry, as in science, in war, in literature, in art, there is no such equality. It is not merely a difference of degree that may be balanced by greater perseverance. No amount of perseverance will make a short-sighted man see so far as an ordinary person, or an ordinary person so far as a man with a telescope. The industrial world is full of opportunities, but the difficulty is to see them.

It may seem that I have wandered far from my subject, and that the relative capacities of brains have little to do with the relative importance of living and dead capital. But it seems to me that nothing is better calculated to illustrate the position that the mere possession of wealth, the mere ownership of previous accumulations, does not give the owners the tyranny over labour. Previous accumulations may obtain 4 per cent interest, but this is relatively a small part of the national income. Four-fifths of what is called profits is simply wages of one form of labour, or rather of many forms of labour of a highly-skilled character.

We are now in a position to see that the question as to the relative strength of labour and capital is ambiguous, and the answer must depend on the meaning ascribed to the terms. Take first the general question. If we mean by labour simply manual labour, and we throw all the mental labour into the scale of capital—if every one who does not work with his hands is considered as a capitalist, or is conjoined with capital against labour—then in any general conflict—if such were conceivable—capital must be victorious. The destruction of such an intangible thing as credit, the mere closing of all banks, would of itself stop business, as surely as the refusal of the captains and officers of ships to navigate must stop foreign food supplies. A general revolt of this kind of labour (*i.e.* ordinary manual) against this kind of capital (*i.e.* including all above this class) might produce anarchy for a time, but then its power would cease.

If, however, we throw into the scale of labour all those who make their income by some form of work, and confine the term capital to the dead instruments of production, then no doubt labour is stronger. But with this wide meaning of labour, and narrow meaning of capital, a general conflict between labour and capital is still less conceivable, for the obvious reason that in this sense we are all labourers.

The simple truth, however, is that, wherever we draw the line between the capitalist and the labourer, anything in the nature of a *general* conflict is impossible. In modern industry the two are inextricably mingled, the two factors are necessary to the result, and that result includes not only the satisfaction of the most

urgent physical wants, but also, in part at least, of all the highest needs of civilisation.

It follows from the same line of argument that the nearer we approach to a general conflict between labour and capital—again, wherever you draw the line—the more speedily it must close. For the more you widen the area of conflict, the greater the dislocation of industry, and the greater the discomfort, and even privation, created. A simultaneous strike of all those engaged in transport—by railway, by road, by sea—would at once create a famine worse than any due to natural causes. Astonished at this obvious inference, the less instructed of the New Unionists call on us to fear and tremble before the power of labour. But they forget that the lower you descend in the social scale, the greater would be the misery. So long as any semblance of law was kept up, so long as absolute anarchy was avoided, those with money or credit would be served first from any accumulated local stores.

For a moment let us narrow the area of conflict still more. Let us take the case of an ordinary strike (say) for an advance in wages. In such a case is capital or labour the stronger? The only answer is that it depends entirely upon circumstances which differ in almost every instance. But one thing is certain, if any set of labourers by a fortunate display of strength obtain more than the market for their labour justifies, their triumph will be very short-lived. A monopoly in any form of labour is of all monopolies the most difficult to maintain.

It is, however, impossible in this paper to enter on the question of particular individual struggles between

capital and labour. Throughout I have treated the subject from the national point of view; I have looked on the nation as a gigantic organism, the parts of which are constantly renewed, and in the course of centuries are not only renewed but developed. From this standpoint the conflicts between capital and labour are temporary local ailments; and if the nation is to remain even stationary—still more, if it is to be progressive—the relations between capital and labour, and the relations between the higher grades of labour and the lower, and between the brain-worker and the hand-worker, must be those of the sound mind to the sound body. Anything like a general conflict between labour and capital can only be compared to national suicide.

VII

A PLEA FOR INDUSTRIAL LIBERTY[1]

I HAVE entitled the subject of my lecture to-day "A Plea for Industrial Liberty," because in the time at my disposal I cannot introduce the various exceptions and qualifications which the most ardent supporters of liberty would allow in favour of authority. All I can hope to do is to set forth some of those important principles which, since the time of Adam Smith, have been considered sufficient to establish the presumption in favour of individual freedom and enterprise, as against governmental routine and control. My apology for taking such a trite theme is that there has recently appeared a strong tendency to deny the validity of this presumption,—a tendency revealed not only in theoretical writings, but in the actual course of legislation, and in the demands made by influential sections of public opinion for all sorts of reforms which are supposed to be practicable.

Whilst admitting with Adam Smith and every other economist that Governments have certain industrial functions to perform, and, with the progress of

[1] Edinburgh University, October 1892.

civilisation and the increasing complexity of society, certain functions now from which they were formerly free, I still hold that in matters of industry the sphere of authority is small compared with that of natural liberty; and not only so, but comparing the present with the past, the former sphere—that of authority—has, I maintain, become relatively much smaller; for Governments have abandoned many of their old duties, or supposed duties, not so much from inclination or reasonable preference as from necessity. The position I wish to enforce has been admirably expressed by the late Sir H. Maine—"Legislation has nearly confessed its inability to keep pace with the activity of man in discovery, in invention, and in the manipulation of accumulated wealth; and the law even of the most advanced communities tends more and more to become a mere surface stream, having under it an ever-changing assemblage of contractual rules with which it rarely interferes except to compel compliance with a few fundamental principles, or unless it be called in to punish the violation of good faith."

Well, then, if this is broadly true,—if the principle altogether outweighs the exceptions,—it follows that it must be either useless or mischievous for Governments to go on adding to the exceptions, altogether regardless of the principle.

Before proceeding to notice the arguments in support of the principle of natural liberty, it may be well to unfold the meaning. The very heart of the principle is freedom of contract. The whole structure of modern industry rests upon exchange, in the last resort the exchange of services. The annual con-

sumption of the poorest working man depends upon an infinite series of contracts. Consider first his earnings, they depend upon a contract with his employer; but the employer must furnish materials and instruments of production, and he must sell the finished product, otherwise he can pay no wages. Thus the employer is dependent upon all kinds of contracts. Consider next the expenditure of the workman. As Adam Smith long ago explained in an eloquent passage, the number of people whose industry is employed in procuring the conveniences of life for the most common day-labourer exceeds all computation—even his coat alone is the produce of the joint labour of a great multitude of workmen. But this labour is not directed by authority from above; it is not the labour of slaves or of Government employees; it is labour that is governed by contract of some kind or other.

Next in importance to freedom of contract as a principal constituent in the system of natural liberty is the institution of private property. From the economic point of view, this institution implies that a man has a right to dispose of the results of his labour and of his saving, and also to dispose of what he has acquired by contract or by gift. In a modern industrial society the chief basis of private property is in reality contract. We may, indeed, speak of the right to enjoy the fruits of one's own labour, but how are the fruits of one to be separated from the fruits of others? Can a man enjoy the eighteenth part of many pins, or the millionth part of a big ship? Obviously the only practical form of enjoying the fruits of one's labour is in spending the money earned as wages. But wages,

again, under a system of industrial freedom, are the result of contract.

Similarly as regards saving. People do not actually put aside so much corn, or meat, or iron, and fill the country with innumerable hoards like squirrels or ravens. What people save in the first place is money, and this money is invested. But, again, every investment is a matter of contract.

Take a concrete case—the case of a millionaire who has made a fortune in trade. The fortune is the result of an infinite series of bargains. And what does the fortune imply? He has not accumulated so much actual treasure; his actual personal wealth is generally comparatively small: what he has accumulated is in reality the right to demand the fulfilment of an indefinite number of contracts. His money—mainly in the shape of figures in bankers' books and other documents—enables him to set in motion and control so much of the productive capacities of the nation of which he is a member. But he can only do so by making bargains.

The third important element in the system of natural liberty is security. Without security, freedom of contract and private property are empty names. Security is a condition precedent. Only consider the effects of a commercial crisis—which is comparatively a very mild shock to security. For the time being, it suffices to disorganise the whole industry of a nation, and even the trade of the world. Such effects are, however, transitory compared with the arbitrary violence of Governments. Many of the richest countries of the world, so far as natural resources and vigorous inhabit-

ants are concerned, are poverty-stricken, simply through want of security.

We may now compress the meaning of industrial liberty into a sentence. The essence of the system is, that people are left free to make the best bargains they can, and to do with the fruits of their bargains what they please. The primary duty of Government is simply to afford security against force or fraud. I do not say that is the only duty, but the primary duty. There are a number of secondary duties which arise when the parties to the contracts cannot be supposed to be on an equal footing, as, for example, in the case of children or persons of weak intellect. There are also certain industrial functions which a Government may perform to greater advantage than private people, *e.g.* the management of the coinage and the post office. I only mention these secondary duties and functions of Government, however, to show by contrast the magnitude of the primary duty, which is essentially to provide a fair field or an open market for making bargains.

I do not think a calculation has ever been made as to the amount of industrial work performed by the Government of such a country as this, compared with that of private enterprise. But it is quite plain that a Government cannot work without money, and the amount of the governmental expenditure is a small part of that of the whole nation. Again, as regards contract, and even as regards security, the function of Government is mainly passive; a few contracts are forbidden, a few clauses in a few contracts are compulsory, and a few contracts come before the law courts

for enforcement or interpretation; but, on the whole, taking the life of the nation in its entirety, these exceptions are, as I say, comparatively few. For the most part, people make what contracts they like, and they trust simply to the good faith of the other parties for their fulfilment. The law, as Maine said in the passage already quoted, is a mere surface stream, which reveals rather than controls certain eddies in the great river of national life. So much, then, for the meaning of industrial liberty—a maximum of individual freedom with a minimum of governmental control—the system which prevails most in the most advanced communities, and which is historically the outcome of centuries of striving against all sorts of rigid customs and the caprices of arbitrary power.

Here it must be admitted that the mere existence of such a system as the latest birth of time is not a proof that it is the best; and, as I said at the outset, there is a strong tendency at present to extend the sphere of authority and contract that of liberty. This tendency is principally due to the growth of democratic principles of Government. It is imagined that if the people are themselves the rulers—if they choose delegates to do their bidding, and dismiss them if they fail—then there can be practically no limits assigned to the beneficial interference of Government; for in the last resort it is the people interfering on behalf of the people. Thus in the end we are logically conducted to a system of State Socialism; and competition and freedom are displaced by regulation and control.

Now it needs no demonstration that if people once get firmly possessed with the idea that a Government

of their choice can do nearly everything, there will not be much delay in making experiments. So long as the idea of liberty was dominant, and the presumption was against the Government, that of itself formed a preliminary barrier to the adoption of various schemes. Let me illustrate by an example—the particular case of Free Trade. So long as your general rule is in favour of Free Trade, you have only to show that some commercial treaty or financial proposal offends against this principle to secure its condemnation. But once you reject this general simple rule, and profess to decide every case on its own merits, you are certain to think the merits overcome the demerits, for the simple reason that the former are particular, concrete, and obvious, whilst the latter are general, indirect, and below the surface. Accordingly, we find, as a matter of fact, that Protection tends to spread like an epidemic once it obtains a footing. And what is true of the particular case of Free Trade is true of the whole system of governmental control. If there is a strong current of opinion against it, little will be done—possibly in some cases too little; if, on the other hand, the reliance on Government is strong, much will be attempted, and probably in most cases far too much. It appears, then, that the question on which side the presumption lies is by no means purely abstract; on the contrary, it has most important practical bearings.

What, then, are the arguments which to Adam Smith and his distinguished followers seemed sufficient to establish the presumption in favour of natural liberty. These arguments are principally two—the one negative, showing the evils or uselessness of govern-

mental interference; the other positive, showing the benefits and advantages of individual liberty. Each of them may obviously be expanded into a number of component elements.

Let us look first at some of the evils or imperfections of Government management.

First of all, then, a Government can do nothing without money, and money means taxation. But the limits of taxation that are not injurious to a nation are soon reached. Taxes that fall on wages are not likely to seem agreeable to those who earn the wages; taxes on capital, or the profits of capital, are likely to drive capital to more favoured regions, or else to check accumulation; and the other sources of taxation are comparatively small. Our present system of taxation is so little burdensome as regards the masses of the people that we are apt to think it might be indefinitely extended. Take a single example. Mr. Charles Booth proposes that a pension should be provided for every person over the age of sixty-five, at a cost of £15,000,000 a year. Well, if this principle were pushed to its logical conclusion, the country would be ruined by taxation. If a person is entitled to a pension simply because he has reached a certain age, why not also because he has attained a certain degree of unavoidable misfortune? There are employments so severe and unhealthy that the workers are worn out long before sixty-five; there are, further, the victims of accidents and diseases of various kinds. Where would be the justice of giving to a man of the physique of Mr. Gladstone a pension of 5s. a week at sixty-five, whilst a worn-out steel grinder, with his lungs ruined

with steel-dust, is left to die unassisted before he is sixty? If you adopt this scheme of Mr. Booth's, the natural sense of justice will make it grow rapidly, and every growth will mean more taxation.

Another objection is that, if you give authority for one thing, indirectly you increase it in other things. Restraint begets restraint, and then the natural reaction begets lawlessness. Suppose, for example, that a compulsory universal eight-hours' day were actually established by law, consider the multitude of inspectors who would be required, and the multitude of regulations so that their inspection might be possible. I said restraint begets lawlessness. A notable example is furnished in the good old smuggling days, when everything was taxed to such an extent that, as Adam Smith said, "To pretend to have any scruple about buying smuggled goods would in most countries be regarded as one of those pedantic pieces of hypocrisy which, instead of gaining credit with anybody, serve only to expose the person who affects to practise them to the suspicion of being a greater knave than most of his neighbours." When such was the state of public opinion, no wonder that the glamour of romance was cast on the smuggler and his calling. But, as often happens on examination, the romance rests upon a perversion or suppression of degraded living and revolting crime. The cruelties practised by armed gangs of smugglers on those who were even suspected of being informers were incredibly brutal; men were done to death with prolonged tortures of the worst kind. This is, of course, an extreme case; but the fact remains that undue restraint increases crime.

A third objection to governmental control is found in the fact that a Government must choose between making its officials follow an exact, rigid routine of set rules, or else allow them to act according to their own caprice. The former plan stifles industry; the latter fosters jobbery. It is no wonder, then, that economists have arrived at the general conclusion that most industrial operations, except those of the simplest kind, are much worse done by Government than by private agency. Examples of the inefficiency of both kinds—of routine and jobbery—are found in the management of the supplies for armies in the field, as in the notorious case of the Crimean War. Routine sent the things to the wrong places, and jobbery made the things worthless. But if a Government cannot manage the industrial operations of war, what industrial operations can be properly entrusted to it?

Finally, the strongest argument against the system of authority is the cumulative historical argument. Its very strength, however, renders it difficult of statement, for it requires to be supported by a wide survey and a mass of details. I cannot, then, do more than state that the verdict of history, speaking broadly, is, that governmental regulation of industry has been, for the most part, either useless or mischievous.

I have devoted so much of my limited time to the negative argument founded on the incapacity of Governments that I can do little more than state in general terms the leading points of the positive argument.

In the first place, then, it is maintained that as a *means* to the attainment of economic ends of all kinds industrial liberty is better than authority and control.

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It is better as regards the production of wealth. People know a great deal better than Governments can tell them the best way to manage their own business so as to get the best return. If some industry or method of industry does not succeed—if it will not pay fair wages and profits—the capital and labour flow into other employments under a system of liberty; whilst under the opposite system Governments try to bolster up antiquated methods and cause a waste of national energy. Some years ago the French Government thought it would be an excellent thing to encourage the French shipbuilding and carrying trade. The ancient jealousy of this country was revived. Accordingly they instituted a system of bounties—bounties on building and bounties on carrying. For a time the shipbuilders of this country were greatly alarmed. Now I see, according to recent consular reports, these bounties have utterly failed. All the aids of the State in France have not been sufficient to counterbalance the enterprise and energy of unprotected industry in Britain. It would be easy to multiply examples, but there is no necessity. It is admitted on all sides—even by Socialists—that, so far as production is concerned, the system of free competition is the most effective. The only danger is of supposing that what is true of the whole is not true of the parts—of imagining that though it would be absurd for Government to attempt to direct all production, it can meddle advantageously with particular branches. With this very business of shipping, in which our interests are equal to the rest of the world, our Government has probably surpassed the limit of judicious meddling.

Again, as regards the distribution of wealth—the shares allotted to the different classes and members of the community—it is maintained that the general principle of freedom of contract is better than the command of the State. Here, however, the difficulty of proof is greater, because opinions differ as to the kind of distribution which is best. Some think the closest approximation to equality, and others again refer to some standard of needs or wants. Now, it may be admitted at once that the system of liberty does not tend to equality, nor can it be said to lead to a maximum of satisfaction and placid content. On the contrary, it is pervaded by a spirit of restlessness and emulation and striving, and its firstfruits are the extremes of riches and poverty. The greater the liberty, the greater the discontent, and the greater the inequality. In this land of freedom, who is satisfied with his position? who desires to rise no higher? who to possess no more wealth? Probably not one in a hundred, and he is despised for his weakness rather than admired for his philosophy. But we must remember that it is this restless energy that, above everything else, has placed the Anglo-Saxon far in front of all competitors.

Nor is the spirit of liberty so opposed as might at first sight appear to the spirit of justice. The ideal of freedom is that a man chooses his own work and place according to his talents, and obtains in return as much as his services are worth. Exceptional ability of any kind obtains an exceptional reward, whilst ordinary labour fetches an ordinary price. The ideal is reward according to desert, and this ideal seems at

least as near as equality to natural justice. No doubt it may be said, with truth, that the ideal is not actually attained, and that as a matter of fact, under our system of liberty, some are made rich by opportunity, and others—most deserving—are made poor by neglect or ill-fortune. But we must take the general broad results. No reality can attain to the ideal; and if liberty falls short of justice it often happens that the true remedy is not more authority, but fuller liberty. Take the case of those who strive to gain a living from land that is too poor in quality and insufficient in quantity—the ugly case of agrarian pauperism, or congested areas. Of what avail is it to reduce rents, and grant fixity of tenure and compensation for improvements, when the utmost return to the patch of land is insufficient for the decent support of the tenant? The only real remedy in such a case is to break down the prejudices that bind him like a serf to the soil, and to make him feel that he is a free man with the world before him where to choose.

As with the production of wealth, so with its distribution. No one could seriously maintain that, with the complexity of modern industry any Government could allot to all its people their tasks, and apportion to them their wages. There is no danger that the principle of liberty will be torn up root and branch, and replaced by that of authority. The danger is that people begin to imagine that what cannot be done as a whole may be done piecemeal, and that Governments should be called on to interfere here and there with the conditions of particular industries, or with various fragments of the industrial

system. Thus at present, to revert to an example already quoted, there is an outcry for fixing the hours of labour either generally or in special trades, or at any rate with local option. Now, it may be admitted as possible in theory, and even as possible in practice, that if Governments do interfere in this imperfect tentative way, the immediate direct advantages may outweigh the indirect and remote disadvantages. In cases where there is no real freedom possible—*e.g.* the employment of little children—there can be no question as to the benefits of authority. In such a case freedom of contract so-called, is freedom of coercion.

But the whole of my argument presupposes that we are concerned with persons of full age and responsibility, persons capable of giving a vote and forming some kind of opinion. Well, then, I say it may be admitted, even as regards these able-bodied and able-minded adults, that government by regulation and authority might secure them certain advantages, either in work or reward, which of themselves by open bargaining or free contract they could not obtain, or at any rate not so speedily or obviously. In such cases, then, it may well be asked, ought respect for an abstract principle, regard for liberty, independence, self-reliance, to be followed as an end for its own sake; ought a sentiment or conviction of this kind to induce people to reject the aid of Government as they would reject some form of degrading charity?

The answer to this question leads up to the strongest argument that can be advanced in favour of the system of industrial liberty. Hitherto we have looked on

liberty as a means simply to the attainment of certain economic ends, as if, other things being equal, it were a matter of indifference whether the thing desired were obtained as a gift from the State, or as the result of individual effort. But other things are not equal, and it is by no means a matter of indifference. Industrial liberty is only part of that larger liberty which through centuries has been the motive power of human progress, and in this island to a greater extent than on any other portion of the earth. Industrial liberty has advanced side by side with the destruction of political inequality, of religious intolerance, and of all kinds of antiquated laws and customs founded upon privilege and prejudice. No general statement can bring home to the mind the continuous struggle of liberty against authority, and the incalculable benefits which have been the result. It must suffice to say that there is no great deed in our history in which the love of liberty did not bear a prominent part. And if you wish for a proof, what better proof—next to the page of history itself—can be found than this, that there is not one of our great poets, from Chaucer to Tennyson, who has not sung the praises of liberty, and set in rhythm the achievements of liberty. But it is of no avail to assent to the praise of liberty, and at the same time to assert that this assent is purely an abstract pious opinion, and that every case must be weighed on its merits according simply to the benefits expected. If liberty is still to be a power for good, it must be cherished for its own sake, and every free man must take care that he does nothing that may even seem like a sacrifice of independence. A man

who is always calling on the Government for this and that, is in spirit no better than a pauper who clamours for more out-door relief, and it was not by people of this poor spirit that the greatness of this empire was built up. It was by men who had a passionate love of liberty for its own sake. The thought has been admirably expressed by Tennyson, and I cannot conclude better than by quoting his familiar stanzas:—

You ask me, why, tho' ill at ease,
  Within this region I subsist,
  Whose spirits falter in the mist,
And languish for the purple seas.

It is the land that freemen till,
  That sober-suited Freedom chose,
  The land, where girt with friends or foes
A man may speak the thing he will.
  . . . . .
Should banded unions persecute
  Opinion, and induce a time
  When single thought is civil crime,
And individual freedom mute;

Tho' Power should make from land to land
  The name of Britain trebly great—
  Tho' every channel of the State
Should fill and choke with golden sand—

Yet waft me from the harbour-mouth,
  Wild wind! I seek a warmer sky,
  And I will see before I die
The palms and temples of the South.

VIII

POLITICAL ECONOMY AND JOURNALISM[1]

It is a matter of common remark that the serious questions which at the present time attract most attention in the press are of an economic character. There are, for example, the endless disputes between labour and capital and the varied proposals for conciliation and other remedies; there are the schemes for employing the unemployed and extending relief to the poor; taxation both local and imperial is steadily advancing; commission follows commission to inquire into the depression of trade in general or of agriculture in particular, or to investigate the causes and consequences of the recent monetary disturbances; even the old controversies between free trade and protection, large and small farms, and similar opposites, renew their quarrelsome youth, and, not to weary you with familiar details, every branch of journalism—daily and weekly, secular and religious—is constantly occupied with economic problems.

This growth of public interest in practical economic

[1] Address at the Annual Meeting of the British Economic Association, London, June 1894.

questions, of which the journalistic attention is the most certain sign, has not been accompanied by a corresponding extension of the systematic study of political economy as a science. People who take up with eagerness some particular question pay no regard to the principles and theories of the subject as a whole; just as other people like gardening and flower-shows, but not botany. This indifference to political economy in its broader aspects is of comparatively recent growth. Thirty years ago it was commonly studied by thoughtful men, and especially by those who were called upon, by speech or writing, to instruct or advise the public. Political economy was regarded as the one branch of social science that rested on sure foundations, and the laws of political economy were referred to with a respect that sometimes bordered on superstition. It is then surely remarkable that this interest in the theory should have declined precisely during the period when economic problems have come more and more to the front.

I do not for a moment mean to imply that the general theory of political economy has ceased to be studied. During this very period every branch of the theory has been investigated with a critical precision that was never before attempted. The journal of this association and the corresponding reviews in other countries bear constant testimony to the labours of scientific economists. But my point is that the subject as a whole is not studied to the same extent as formerly by those who take an active part in public affairs, and especially by journalists, and yet it may be questioned if it was ever more important for journalists to make

a systematic study of political economy. For one person who reads a solid book there are thousands who read regularly articles in newspapers. It is these articles that to a large extent—probably to a larger extent than the Church, public meetings, and all other similar influences—mould popular opinion, which again in its turn moulds legislation and governmental action. A proportionately grave responsibility rests upon the writers, a responsibility that cannot be transferred to the readers. A writer in the press who spreads false ideas—although merely from careless ignorance—injures the health of the nation as much as a man who by careless ignorance spreads a fever.

I have used the term "false" ideas with much hesitation, for I know you will at once translate it into Greek, and I shall be accused of inviting the journalist to suppress economic heterodoxy and to inculcate the orthodox faith. I should as soon think of inviting the clergy of all denominations to accept the same creed as regards the world to come as of inviting the journalists of all classes to write the same things on the interests of this world. I say at once that I have not the slightest intention of using an occasion of this kind for the purpose of advocating opinions of which I approve or of decrying the opinions of others. I am neither so presumptuous nor so foolish as to insinuate even indirectly to journalists how they should manage their business—of all forms of freedom the freedom of the press is in these days the most fundamental, and by freedom I do not mean only freedom from the law but freedom under the law—freedom from all forms of custom and authority that are weighty only because

they are petrified. But there is a sense in which, with all possible scope for freedom, we may all agree that there are false ideas which are against the public interest. Such are all the ideas which come from not weighing the evidence as regards the facts, from not carefully analysing the facts, and from rushing to conclusions that the facts will not support. Such are all the ideas which arise from the associations entwined round words and names, from neglecting to observe, in the words of Locke, what ideas the words really stand for. And such too are the ideas which, even when the facts and words are clear, spring from incorrect reasoning.

Now I make bold to say that there is only one way of getting rid of false ideas of this kind, and that is by systematic study and careful preliminary training.

My object then is to impress upon journalists the advantage, and I would almost say the duty, of becoming thoroughly familiar with economic methods and principles apart from the particular problems with which they are called upon to deal. I do not ask them to get up a creed or to look up the best interpretation of disputed texts, or to quote authorities with an appearance of relevancy. It would be strange indeed if, whilst pleading to the utmost of my power for industrial liberty, I should seek to fetter it where it is most needed—namely, in journalistic enterprise. All I ask is that journalists should recognise the difficulty and complexity of social problems, that they should admit they cannot be settled offhand, and that, on the contrary, they call for the strongest efforts of the most highly trained minds even for adequate discussion.

It is then, I think, matter for grave regret that the

study of political economy in its general aspects has not kept pace with the attention given to particular problems. The consequence is that the latter do not receive the searching criticism which they need—whether eventually accepted or not. People are content with the immediate apparent effect, and leave out of consideration effects which, though not so obvious, may soon prove to be more important.

The present attitude of journalism to scientific economics is at any rate, compared with that of the previous generation, one of indifference, and in the first place it seems desirable to offer some explanation of the change. The causes are varied and complex.

The most important is probably the persistent misrepresentation by popular writers of the teachings of eminent economists. Carlyle in a severe attack of dyspepsia, physical and mental, applied the term dismal to the men and the thing, forgetting or ignorant of the high eulogium passed on Adam Smith by Robert Burns. Mr. Ruskin tortured his imagination and the English language to express his loathing for what nobody ever was or ever wrote—the economist to his view was a one-eyed flat fish with the side on which there was an eye always in the mud.

It is hardly necessary to recall, and certainly not necessary to refute, the more particular calumnies with which economists were assailed. Malthus was supposed to recommend prudential immorality and infanticide, and Ricardo was credited with the iron law of wages which made this supposed counsel of Malthus sweet and reasonable. Even Mill, in spite of his defence of socialism, was considered to be the champion of capital

against labour; whilst the father of them all—Adam Smith—the eulogist of the Navigation Laws and the advocate of Imperial Federation, was imagined to be the author of "peace at any price." I cannot refrain from quoting one passage which at any rate disposes of this delusion. "A coward, a man incapable either of defending or of *revenging* himself"—observe it is more than defence—" evidently wants one of the most essential parts of the character of a man. He is as much mutilated and deformed in his mind as another is in his body, who is either deprived of some of its most essential members or has lost the use of them. . . . Even though the martial spirit of the people were of no use towards the defence of the society, yet to prevent that sort of mental mutilation, deformity, and wretchedness, which cowardice necessarily involves in it from spreading themselves through the great body of the people, would still deserve the most serious attention of government; in the same manner as it would deserve its most serious attention to prevent a leprosy or any other loathsome and offensive disease, though neither mortal nor dangerous, from spreading itself among them."

But although the abuse of the economists was as ill-founded as this specimen shows, it answered its purpose. Seeing that the essence of successful journalism is to be popular, it was only natural that a subject which was made to appear essentially unpopular should be either avoided or attacked. Political economist became a term of reproach. I well remember, soon after I came to Edinburgh, hearing one of my most genial colleagues protest with some warmth that he

was not a political economist. The most remarkable feature, however, in this abuse of political economy is that even if it were well founded it would only apply to a small part of the subject. There is surely nothing dismal in tracing, as Adam Smith does, the different progress of opulence in different nations, and the causes of the transference of commercial supremacy. And the progress of opulence is fundamental in all progress. In the words of the greatest living writer on the philosophy of history—Professor Flint: "The whole political and moral, intellectual and spiritual development of society largely depends on the economic phenomena and changes which it is the business of political economy to explain. The general historical movement of humanity cannot be understood by men who are insufficiently acquainted with the various phases of economic history and with the laws of economic facts. The growth of science and philosophy, the culture of art and literature, the development of morality and religion, have all, indeed, richly contributed to make history what it is; but even collectively they have only in part determined its course, and have all been to a far greater extent than is commonly supposed dependent on conditions of an economic character. The sciences of history and of political economy are therefore so closely related that one of them cannot exist in any well-developed form when the other does not."

It is true that history is to a large extent tragedy, and economic history is no exception; but we never approach—to take but one example—the sickening horror of religious persecution. And on the other

hand it is on the economic side that the reality of human progress is most marked. The nineteenth century cannot rival the sixteenth in painting, or sculpture, or poetry, and probably the highest development of all the fine arts was attained by the Greeks two thousand years before. But in everything that is embraced under industrial progress we are immeasurably in advance of our predecessors. It will be said that pauperism still abounds in the richest nations; it is forgotten that we have abolished slavery and serfdom, put the curb on pestilence, and turned famine into a glut of food. A large part of our pauperism is itself a sign of progress; under ruder conditions the weakly members are enslaved or perish. Pauperism is part of the penalty we pay for liberty. Only abolish liberty, and in fifty modes you may abolish pauperism.

But the term industrial covers much more than merely material progress. There is nothing more false than the opposition drawn between political economy and common-sense morality. The very soul of our present industrial system is good faith, and the road to success still lies through the old-fashioned virtues which we are ashamed to mention.

Next to the gross misrepresentation of the teachings of the economists by popular writers, as a contributory cause of the neglect of economic study, we may place the dissensions of economists themselves. Mill was succeeded by men of considerable critical ability, but they lacked the principal quality necessary for constructive work—the faculty, namely, of absorption. The first requisite of originality is to thoroughly master the work already done, and to treat that work

as a basis for further advance; otherwise originality is only another name for ignorance. It was unfortunate for political economy that Cliffe Leslie and Jevons in different ways led people to suppose that the work of their predecessors was useless or unsound. Cliffe Leslie vastly overrated the value of the German historical method, and on the other hand equally exaggerated the supposed abstract and hypothetical character of English political economy. He was a voluminous correspondent, and his opinions were expressed even more strongly in his letters than in his published writings. Every one knows the mixed metaphor which Jevons divided between Mill and Ricardo, and his intention of adapting Adam Smith for a text-book so that their pernicious influence might be neutralised. Even Cairnes, who was nothing if not orthodox, delighted to emphasise his disagreements with Mill, though in most cases they arose from misunderstanding.

The controversy on methods was transferred to principles. The theory of wages, which was fundamental in Mill's work, was abandoned by that writer, but the change was never incorporated in his *Principles*. Thorold Rogers separated the Ricardian theory of rent into a truism and two errors, and described with his usual dogmatic bluntness the abstract political economy in general as a "crude metaphysic."

At length Professor Sidgwick appeared as a peace-maker, and announced that "the waves of disputation were in danger of submerging the really sound and valuable results of previous thought." He showed that the most abstract writers had also used history

and induction, and that the historical school needed guiding principles.

But it was not so easy to get rid of the popular impression that the old political economy had been abandoned by the new exponents of the science.

This impression has been strengthened in quite recent years by the general adoption of a mass of new technical terms, and of the intricate refinements of the theory of utility. Our old friend, the man on the margin of cultivation, who gave such an appearance of unreality to Ricardo's theory of rent, so that Mill was constrained to call it the *pons asinorum* of economics—our old friend, like other patriarchs, has begotten an innumerable progeny of marginal increments. It is possible that the new developments and the new language may ultimately lead to greater scientific precision, but, if so, it will only be attained at the cost of popularity.

Now it seems to me that on this point also the opinion of the older writers is the better. They hold that as far as possible the economist should use words in their popular sense. Amongst other advantages there is one that is of special interest in connection with my present subject. I have spoken hitherto only of the advantage the journalist may gain from scientific economics—and I shall have to return to this side of the question presently—but we must not overlook the indebtedness of political economy to journalism. When I was appointed to the chair in Edinburgh, Cliffe Leslie gave me two excellent pieces of advice. The first—I may say it is absolutely irrelevant to my present subject, but it is worth putting on record—was, if I

felt in a difficulty in a lecture, to stop and ask the students some questions; and the second was to read the *Times* every day.

Now for my own part I confess that I have learned as much political economy from newspapers as from books. There is nothing more interesting than to observe living examples of principles and tendencies. And we cannot pick up a newspaper without finding an economic problem, or at least a fresh illustration. If there is one thing better for the economist after a mastery of principles than reading newspapers, it is writing for them. But this intimate connection and reciprocal advantage will be lost if the economist conceals his thoughts in technical language. What journalist ever ventured in a leader to use the phrase "final utility," the very centre piece of the new terminology?

We seem then reduced to a pretty pass. For the purposes of journalism the old economists are considered too old. As one of my reviewers put it, Adam Smith is still more archaic than Mill. As a matter of fact, we have not yet caught up Adam Smith's programme, but people think we have, and that is enough. The new economists, on the other hand, are too new. The technical language which was intended of itself to show the limits of the application to practical problems has, in effect, concealed those limits, and as a consequence most journalists who have studied the new theories at all have simply looked up the answers without doing the work of the sums, and have quoted their authorities in a way which the latter would be the first to repudiate.

I come now to the moral of this long argument. The main use of political economy to the journalist is not to provide him with the opinions of authorities upon practical questions, for the very good reason that in most cases these opinions are not directly applicable, owing to changes of circumstances. Adam Smith, for example, asserted that farmers could have nothing to fear from the freest importation of corn, and more generally that the freest importation of the rude produce of the soil could have practically no effect upon the agriculture of the country. But this opinion—as the context shows—was only valid, having regard to the means of communication and of transport, and to various other conditions. It would obviously be utterly wrong to use the authority of Adam Smith for the statement that British agriculture could not suffer from foreign competition. It would be easy to multiply cases in which the opinions of economists have been quoted without any reference to qualification, context, or circumstance. And the effect of this misdirected appeal to authority has been simply to weaken that authority.

The great difficulty of economic problems is their complexity, and the greatest merit of recent writers is their recognition of this complexity. Political economy lost its influence for the time being mainly because it had become stereotyped into a brief creed of simple dogmas. This was not the fault of the original writers. Nobody ever complained of the simplicity of Ricardo, or of the dogmatic brevity of Adam Smith. It was the necessity of putting free trade into popular war-cries and easy parables in order to stimulate political

action that was the principal cause. Fortunately we have again begun to recognise—for it is a revival and not a discovery—the complexity of economic questions, and the inter-action of economic forces. The recognition of this complexity carries with it the necessity of systematic training. To the untrained eye—to take an illustration—the problem of the accumulation of capital appears quite simple and natural, as simple and natural as the movement of the sun round the earth. But the sun does not move round the earth, nor is capital one of the natural fruits of it.

This example might find a parallel in every branch of economic inquiry. Pauperism is complex, so is taxation, and the connection between the two is still more complex.

And the worst of it is, the examples are not imaginary, but are constantly recurring. The budget comes round every year, and the statesman must propose, and the press dispose; the poor are always with us, and the journalist must be prepared to discuss the latest statistics and the newest remedies of pauperism. Let me again point the moral, and this time, if the phrase be permitted, I will take a low moral, of the "honesty is the best policy" order.

The journalist who has been trained in economic studies will have a readiness and variety of resource that his untrained rival will envy. Instead of being able to abuse the Government, he can abuse the budget itself, clause by clause. And it will not be that common sort of abuse that is equally available to the man in the street. All taxes are bad, even the oldest, and they all have bad consequences. The most

interesting shades of this badness are not obvious to the untrained eye, but when pointed out they afford a pleasant surprise like a picture puzzle. The journalist who has seriously studied finance will find his reward. He can show that a tax offends against four canons and twelve rules, and is condemned by whole chapters of experience. At this time of day there are no new taxes; it is only the amounts that are new; but he can give a shock of novelty to those who know no better, and the peculiarities of a bad tax are always interesting to the tax-payer.

Conversely, if in the interests of party politics it is the duty of the journalist to defend the budget, he can show that taxes are necessary, that expenditure must grow with civilisation, that, in the words of Adam Smith, defence is of more importance than opulence, that equality of taxation means equality of sacrifice, and he can find precedents and examples that would do credit to a criminal lawyer.

And when all journalists who do budget articles on both sides of politics are well versed in the theory and history of taxation, we shall have the case placed before the public in all its aspects, and shall be spared the ignominy of seeing a Chancellor of the Exchequer having to become his own journalist.

Perhaps, however, one of the greatest advantages that would follow from a wider study of the general subject by journalists would be that questions which are really of an economic character would be taken, to a much greater extent, out of the field of party politics. As it is, on many social and economic questions, statesmen are supposed either to keep silence or to say

certain things simply in the interests of their party. The consequence is that in some cases the discussion is inadequate and timid, and nothing is done, whilst in others it takes the form of a competition in generosity, and something is done a great deal too quickly.

There is a recent example of the restraints sought to be imposed on a party leader by the press, which illustrates very forcibly the need for greater breadth in the determination of the neutral zone between economics and politics. I refer, of course, to the attacks made upon Mr. Balfour for the expression of his views on the currency question. Now I make bold to say that there is no question before the public at present which is less of a party question. The practical interest to this counrty, that is to say, having regard to actual, immediate, visible interest, is centred in India. India is face to face with more debt or more taxes, and an increase of either means an increase of discontent, and fortunately the discontent of India has not become, like that of Ireland, a party question.

It is admitted on all sides that something must be done, but the difficulties are so great that they will tax all the statesmanship of the country. I cannot conceive how, under these circumstances, it should be thought desirable for our leading politicians to imitate the ostrich and silently swallow their newspapers and hide their heads in the sand. What the press ought to complain of is not that Mr. Balfour has spoken, but that other leaders have not spoken. We have had too much of the golden silence and too little of the silver speech.

There is a branch of the journalistic art which

would gain greatly from the study of political economy —the art, namely, of reviewing. So many books are published which deal directly or indirectly with economic questions that a reviewer might find it worth while to get up the subject simply for this purpose. He would then be able to lay on the praise in less uniform thickness, or in the converse case to expose errors and plagiarisms in a way that would interest the general reader. Simple flattery or abuse in general terms is apt to become wearisome. It might even be contended with some appearance of plausibility that it is the duty of a reviewer to know something of the subject with which he has to deal. As it is, reviews occasionally appear in respectable organs that can only be described as a disgrace to journalism. I read recently in a review that the French assignats were not depreciated through excessive issues, but simply through the discredit of the French Government. Now, according to the best authorities, this Government had issued by the end of 1796 notes to the nominal value of £1,800 millions sterling, of which upwards of £1,400 millions were in circulation. Could any one with the slightest acquaintance with finance, theoretical, historical, or practical, suppose that, in a country like France at the time, such a mass of paper could be circulated without depreciation? The same writer in the same article shows that he does not know even the meaning of the law of supply and demand. He appears to think that, because the Ricardian political economy has gone out of fashion, the laws of arithmetic no longer hold good. Now I ask, in the interests of the morality of journalism, is it fair for a man to

condemn without reserve, under the cover of anonymity, a work on a quasi-technical subject of which he knows absolutely nothing?

It is, however, perhaps too much to expect a young man of advanced views to read any books except the most recent. I wish then to point out that economic training may be acquired by reading the newest and most popular books, if only the reader bears in mind the old adage about the new and the true and the rarity of the combination. One of the most useful modes of training is the detection of fallacies and contradictions, and the discovery of old truths disguised in new words. But to suppose that at least once a year a subject is to be revolutionised is to altogether over-estimate the originality and frequency of human genius. Swift once announced that two young gentlemen had discovered that there was no God, and to-day we are all agape because Mr. Kidd has discovered that there is a God, and that religion is the basis of civilisation. Mr. Kidd has expressed some old truths in a very fresh and remarkable way. But after all I question if his central idea was not put more vigorously by Burke. "We know," wrote Burke, "and, what is better, we feel inwardly that religion is the basis of civil society. We know, and it is our pride to know, that man is by his constitution a religious animal. All persons possessing any portion of power ought to be strongly and awfully impressed with an idea that they act in trust, and that they are to account in that trust to the one great Master, Author, and Founder of Society." And again he says: "One of the first and most leading principles on which the

commonwealth and the laws are consecrated is that the temporary possessors and life-renters in it, unmindful of what they received from their ancestors, and what is due to posterity, should not act as if they were the entire masters; that they should not think it among their right to cut off the entail or commit waste on the inheritance by destroying at their pleasure the whole original fabric of their society; hazarding to those who come after them a ruin instead of a habitation, and teaching their successors as little to respect their contrivances as they had themselves respected the institutions of their forefathers. By this unprincipled facility of changing the state so often and so much and in so many ways as there are floating fancies in fashion, the whole chain and continuity of the commonwealth would be broken. No one generation could link with another. Men would become little better than the flies of summer."

There you have in Burke with the French Revolution blazing before him precisely the same idea which the expectation of a coming social revolution has forced upon Mr. Kidd. There are differences of course. Burke does not oppose religion to reason; he is content to base it both on reason and instinct. It is worth observing also that he quotes in his favour Cicero, and Cicero in turn quotes Plato, and Plato possibly found the idea in "a wood near Athens," or more probably got it from a poet or an Egyptian.

In conclusion, let me appeal to journalists to make a serious study of political economy, not merely for the power it will give them in treating practical questions—not merely because it will improve their

professional capacity, but on the higher grounds of public duty. Every day we see events and hear proposals that threaten security and liberty, and with them the national well-being. The great restraining force is in the press; the press, it is hardly too much to say, has taken the place of the king's peace. And similarly in reform, in improvement, in progress, it is to the press we look to give light and nourishment to the ideas that otherwise must perish at their birth.

But freedom without knowledge is anarchy, and no man can discover for himself the result of the labours of generations of his fellows. The man of science who writes on microscopical germs finds it necessary to study his predecessors, and is it to be expected that the highest and latest works of evolution, the civil societies of mankind, are to be understood by simply looking in a mirror, and neglecting the observations of previous writers? We can understand neither the past nor the future if we trust to our own unaided reason. The works of the dead are granaries stored with the harvests of the past and the seeds of the future.

IX

THE REACTION IN FAVOUR OF THE CLASSICAL POLITICAL ECONOMY

It may naturally be expected in the address which, as President of this Section, I have the honour to deliver, that some attempt should be made at originality, or at any rate at novelty. Accordingly, I hope that I shall fall in with the traditions of my office by defending a series of paradoxes and by running counter to a variety of popular opinions. I will only premise that however paradoxical I may appear, and however much I may seem to strain at singularity, I shall speak always to the best of my ability with the utmost good faith, and I shall endeavour to give only the results of my most deliberate convictions.[1]

The central paradox which I propose to defend—the root of the whole series—is that the so-called orthodox or classical political economy, so far from being dead, is in full vigour, and that there is every sign of a marked reaction in favour of its principles and methods. The singularity of my position may be

[1] Address to the Economic Science and Statistical Section of the British Association, Nottingham, 1893.

indicated by a word and a phrase. The word is Saturn; the phrase, "we are all Socialists now." I shall try to show that the traditional English political economy has neither been banished to Saturn nor stifled by socialism, and that in fact it is stronger than ever. This renewed vigour is no doubt largely due to the attacks made upon it on all sides in increasing force for the last twenty years. The dogmatic slumber induced by popular approval has been rudely shattered, and although some of the more timid followers of the orthodox camp thought they had been killed when they were only frightened and awakened, the central positions are more secure than before.

Consider, in the first place, the question of scientific method and the closely allied question of the relation of political economy to kindred sciences. The method practically adopted by Adam Smith and Ricardo, and reduced to scientific form by Mill and Cairnes, and quite recently and still more effectively by Dr. Keynes, must still be regarded as fundamental. It has survived and been strengthened by two distinct attacks. In the first place, the extreme advocates of the historical method attempted to reduce political economy to a branch of history and statistics. They were concerned to pile up facts and add up figures, and they seemed to think that no guiding principles were necessary. But compilations of this kind are, properly speaking, not even history, still less are they political economy. History does not consist simply in collecting facts; the facts must be grouped, arranged, and connected in an orderly manner. A room full of old newspapers is not history, though it may contain much material for

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history. There was really nothing new in this extreme form of the historical method. It was a reversion to a primitive type. The plan had been adopted by chroniclers time out of mind; they embedded facts, signs, wonders, and traditions, as the mud of a river embeds what happens to fall in it. The facts are the fossils of the historian, and he has to make a very few go a long way. In economic literature we have an example of this method in the *Annals of Commerce* of Anderson and Macpherson. The simple device is to collect all the facts and opinions about commerce all the world over, and arrange them under the year in which they happened. The basis of classification is time pure and simple, and at the best we have an imperfect collection of materials which must be sifted and weighed to be of any service.[1]

Now compare this method of simple accumulation —this attempt to write a biography of Father Time as a man of business—with the historical method adopted

[1] On the subject of "Method" generally, see Cossa's *Introduction to the Study of Political Economy* (new edition, translated by L. Dyer, Macmillan, 1893). For illustration of the extreme historical method, see specially pp. 410 *et seq.* "One serious reproach cannot but be made against Schmoller, and that is based upon his denial of any possible use for the deductive method in economics as a science. He bids us patiently wait until we have completed the accumulation of historico-statistical materials dealing with the economic conditions of all times and places; but not all of us can wait so long" (*Op. cit.* p. 414). This criticism is perhaps too severe, and Roscher, Knies, and Brentano have laid much more emphasis in theory than in practice on the historical method, but the central fact remains that the traditional English method was attacked in the way described. In this country the late Professors Cliffe Leslie and Thorold Rogers may be cited. The *Economic Interpretation of History* by the latter is full of bitter attacks on the so-called "speculative" political economy.

by Adam Smith; at least two-thirds of the *Wealth of Nations* is history, and it is history of the first rank, and it is so because it is history that is introduced for the illustration, confirmation, or qualification, as the case may be, of principles. It does not follow because the principles are fundamental that the facts are warped and distorted; it simply means that the facts are made intelligible. Take, for example, his account of the economic aspects of the feudal system. He brushes away the technicalities and looks into the inner life as easily as William the Conqueror at the Council of Salisbury. Or, to take a modern instance, he is like a naturalist who puts aside the parts of the creature he does not want in order that he may see what he does want more clearly. This is a very different matter from suppressing truth and warping facts to suit preconceived opinions. It is needless to say that Adam Smith made some mistakes, *e.g.* in the treatment of the mercantilists; it ought to be equally needless to say that he made some remarkable discoveries of the processes of economic development.

Adam Smith also made large use of the comparative method; he literally ranged from China to Peru in his survey of mankind. What is the underlying assumption in this procedure? It is simply that in economic affairs, in matters of buying and selling in the widest sense of the terms, in satisfying wants by labour, in the accumulation of wealth, there are certain characteristics of human nature that may be regarded as fundamental. These are no doubt subject to modifications by other influences, but modification is not total suppression or eradication. How long

matician is an architect who must be provided with stones and wood and labour by the contractor. It is one thing to draw a plan, another to erect a building. In economics there are certain relations which are most easily expressed in mathematical form. One of my greatest obligations to Professor Marshall is that when I began the study of political economy at Cambridge some twenty years ago, he advised me to read Cournot. And before going further I should like to say that I think one of the greatest signs of power in Professor Marshall's *Principles* is that he has transferred his mathematical researches and illustrations to appendices and footnotes, and in his preface also he has admirably stated the limits and functions of mathematics in economic reasoning. I also gladly avail myself of this opportunity of expressing my concurrence with the views of Professor Edgeworth in his excellent address on this topic as President of this Section in 1889.

But less able mathematicians have had less restraint and less insight; they have mistaken form for substance, and the expansion of a series of hypotheses for the linking together of a series of facts. This appears to me to be especially true of the mathematical theory of utility. I venture to think that a large part of it will have to be abandoned. It savours too much of the domestic hearth and the desert island.

I announced my intention at the beginning of running counter to some popular opinions. I ask for your patience and forbearance when I say that in my opinion the value of the work of Jevons as regards the main body of economic doctrine has been much

exaggerated. I am ready to admit that much of his work in finance and currency and in many special problems is excellent. But he was, I think, too deficient in philosophical grasp and intellectual sympathy to give the proper place to a new conception; witness his treatment of Mill and Ricardo. Again, Jevons was not a mathematician of the first rank: he struggles with the differential calculus as a good man struggles with adversity.

The older economists maintained that price was the measure, not of utility, but of value, and value could not be reduced simply to utility. Things they said might have a high value in use and but little value in exchange. Jevons, by making the distinction between final and total utility, thought that he had discovered a method by which utility might be measured by price. No doubt, if we make adequate hypotheses, qualifications, and explanations, this may be done; and, in the same way, if we introduce enough cycles and epicycles we may explain or describe the motions of the stars. But price is essentially the expression of objective and not of subjective relations—that is the older view in modern phraseology: the attempt to make a kind of pre-established harmony between the two leads to unreality. Price depends upon demand and supply, and the degree of utility is one element affecting demand. In my view the distinction between final and total utility is of qualitative importance; it is of service in explaining the real advantage of exchange; although the essential character of this advantage has been explained by Adam Smith and his successors. The precision of the new phraseology,

especially when translated into curves, gives definiteness and sharpness to the conceptions. The subject is too intricate for more detailed consideration in this place. I will only add that in my view Professor Marshall's criticism of Jevons may be carried much further, with a still further rehabilitation of Ricardo.[1]

There is another direction in which I think the mathematical economists have wandered far from reality. I allude to the stress laid upon what are called marginal increments. There is a tendency to magnify the effects of the last portion of supply or the last expression of demand. I will only say that this doctrine is very apt to run into the fallacy which may be popularly described as the tail of the dog fallacy—the idea being that the tail wags the dog and the tip of the tail wags the tail.[2]

To resume in a sentence: the method of the so-called orthodox English economists has only been modified and supplemented, not revolutionised and supplanted, by the historical and mathematical methods of recent writers, and this, in my opinion, is being recognised more and more.

I pass on to consider a closely allied question—the question, namely, of the limitation of the boundaries of the subject-matter of political economy. In my

[1] For detailed criticism of the measurement of utility by price, and of "Consumers' Rent," see my *Principles of Political Economy* (Book I. chap. iii. and Appendix). Prof. Edgeworth has replied (*Economic Journal*, March 1894), and I have noticed his objections (*Economic Journal*, June 1894).

[2] I do not mean to imply that "marginal increments" are of no value in economics. The criticism is directed against exaggerated stress, not against legitimate use.

view one of the greatest merits of the orthodox economists was the careful distinction they drew between economic and other social sciences. They refused to merge it in the misty regions of general sociology, and they excluded from its borders the rocks and quicksands as well as the green pastures of ethics and religions. This specialisation, they argued, was necessary if any real advance was to be made beyond the expression of platitudes and sentiments. They allowed that in practical social problems there were in general other considerations besides the purely economic; but these they left to the jurist, the moralist, or the politician. For a time, however, especially under German influences, attempts were made to break down these boundaries, and the economist was elevated to the position of universal philanthropist and general provider of panaceas. Mill himself was partly to blame for the excursions which he made into the applications of social philosophy to practice. It is to these excursions we are indebted for the fantastical notion of the unearned increment, and the curious idea that it is the duty of people to leave the bulk of their money to the State, or rather the duty of the State to take it. Fortunately, however, for the progress of economics, this ideal of breadth without depth has not become dominant, and any force it had is already spent. The advances made in other social or less vaguely human sciences have been so great that the economist is obliged to exclude them from his domain.

Still to some extent the view prevails, especially in Germany, that it is the business of the economist

to discover the general conditions of social well-being, and to show how they may be realised. If such an attempt were seriously made it could only end in the projection of the personality of the writer into an ideal, and one ideal would succeed another like a set of dissolving views. Suppose, for example, that I personally were to attempt to set up an ideal, and, not having imagination enough to create a new one, I were to turn to ancient Greece. There is something very fascinating about the life of the typical Athenian in the best day of Athens. Physical beauty and vigour were considered as essential as keenness of intellect, appreciation of the fine arts, and skill in oratory; and this intense self-realisation was tempered by ardent patriotism and a strong sense of the duties of citizenship. The principal blot, from the modern point of view, was the institution of slavery and the relegation of most industrial functions to slaves. I might as an economist, if this breadth of view were justified, take it on myself to show how modern life might be Hellenised, and by leaving out slavery and introducing a little Christian charity a very pleasing ideal might be made, and then I might go on to show what steps Government should take to realise this ideal.

In the meantime, however, my friend Dr. Cunningham might take as his type one of the equally fascinating religious communities of the Middle Ages, and by leaving out some of the superstitions and inserting a few Hegelian contradictions, he might construct an equally attractive ideal, and proceed to direct the statesman how it might be carried into practice. But when all the other economists had worked out similar projects

—Professor Sidgwick, for example, on the lines of Bentham, and Professor Edgeworth with his love of measurements on the lines of Pythagoras—the difficulty would arise, Who was to be the ultimate arbiter? And to this question no one would accept the answer of the rest.

Perhaps it may seem that my illustration goes beyond the argument; let me, then, state the position in general terms. According to the traditional English view it is not the business of the economist to decide all the disputes that may arise even regarding fundamental questions in ethics, religion, fine art, education, public law, administration—to decide, in a word, the first duty of man and the last duty of governments. His sphere is much more limited, and the limits have been indicated with tolerable precision by the classical English economists. Even in England, however, there has been a tendency in recent years to remove the old landmarks, and I do not mean simply on the part of socialists, but by those who in the main profess to accept the English traditions.

Just as the German idealists think it is the business of the economist to discover the way to the perfectibility of the species, the English realists impose upon him the duty of finding the road to the greatest happiness of the greatest number. In technical language political economy is the economy of utility. No doubt, at first sight, this aim seems to be both definite and practical. From the old inquiry, "How nations are made wealthy," to the new inquiry, "How nations are made happy," it seems a natural and easy transition. For the essence of wealth is to possess

utility, to satisfy desires, to create happiness. It is obvious also that the happiness of a people depends largely on its economic conditions in the narrowest sense of the term; it depends, that is to say, on the amount and distribution of its material wealth. Accordingly it seems plausible to maintain that the economist ought to discover by his calculus of utility those principles of production and distribution that will lead to most happiness.

Plausible and natural, however, as this transition from wealth to happiness may seem, it may readily lead to the abandonment of the central position of the classical economists. The steps are worth tracing. The first deduction made from the general principle of utility is that it obeys a law of diminishing return. Every additional portion consumed or acquired of any commodity gives a decreasing satisfaction, and passing through the point of satiety we reach the negative utility of being a nuisance. Illustrated by the usual curve, this law assumes the character of a mathematical axiom.

The next step is to show that the rich man derives very little utility (or happiness) from his superfluity, whilst if his abundance were divided amongst the poor, a great amount of happiness would be created. It seems to follow at once that, assuming an average capacity for happiness, the more equal the distribution of wealth the greater will be the happiness of the people. Never did any theory of equality assume such a simple and scientific form; it is like the advent of primitive Christianity in the guise of a new philosophy.

The practical question remains, "How is this ideal to be carried out?" Obviously it is too much to expect that the principle of natural liberty and the policy of *laisser-faire* may be left to work out this latter-day salvation. Competition, it is said, may be well enough for the strong, but is the destruction of the poor and weak. Accordingly it seems easy to prove, or at least to presume, that great powers must be given to the State. It only remains to bring in the principle which Mill flattered himself was his chief contribution to economic theory, viz. that the distribution of wealth depends entirely on the opinions of mankind, that these opinions are indefinitely pliable, and that, therefore, no schemes of distribution can be called impracticable, and we arrive at the conclusion of the whole matter. And practically that conclusion is nothing less than State Socialism.

It needs no demonstration, however, that nothing could be more opposed to the traditional English political economy. What, then, becomes of my contention that it remains unshaken, and that there are signs of a strong reaction in its favour? The truth is that this conclusion has again brought into prominence other portions of the old doctrine that had been allowed to fall into the background. We are confronted with the limited power of the State and the infinite variety of individual enterprise. To the older economists the difference seemed so great that they considered the presumption against State interference to be established. The rule, it is true, was never absolute and unqualified. Adam Smith himself indicated some of the most important of these exceptions, and the list has been

extended by his successors. But these exceptions were all based upon reasoned principles, such as the incapacity of the persons concerned, *e.g.* children to make fair contracts, or the lack of individual interest in public works, *e.g.* the maintenance of roads, and the importance of the highest security, as in the regulation of the issues of bank notes. And in spite of all these exceptions—strengthened and purified by these exceptions—the presumption remained undisturbed. Recently, however, some writers, under the influence of the ideal of maximum happiness and impressed by the power of the State, have sought to extend its interference far beyond these admitted principles. But I venture to say, so far as this movement had any theoretical support, the reaction has already begun.

The fundamental importance of freedom of contract has become more apparent than ever through the application of the comparative and historical methods to jurisprudence; the proposition that the progress of society has been from status to contract has almost acquired the force of an axiom. The analysis, too, of modern industrial systems in which division of labour has become more and more intricate and interdependent, has shown the hopelessness of the attempt to transfer the management and control to the State. Changes in the methods of production, in the diffusion of knowledge, and in the transport of material commodities, have been so rapid and so great that no executive Government could have overtaken them. In the most advanced communities, even that legislation which is necessary for the new conditions lags behind; even those elementary forms which simply

aim at giving an interpretation to contracts in doubtful cases, or which are necessary for the adjustment of responsibility (as in bankruptcy and partnership), are behind the times. The growth of joint-stock enterprise has outstripped the development of the law of companies, and there is a crop of new frauds without corresponding penalties.

Turning to the executive and administrative functions of Government, the analysis of existing conditions shows that we have not yet overtaken those exceptions admitted by the strongest supporters of *laisser-faire*. The British Government has, it is true, wasted its energies in devising temporary expedients of various kinds, but it has not yet accomplished the programme of Adam Smith. Not only are there privileges and restrictions that ought to have been abolished long ago, but on the positive side the programme is not complete. We have just begun universal education on the lines laid down by Adam Smith, but his scheme for Imperial federation is not yet within the range of practical politics. We have effected great financial reforms, but we still fall far short of the full development of his principles. Even in matters of currency and banking—in relation to which the function of the State has always been recognised—we are lamentably in need of reform.

But if the State cannot overtake those duties which are so necessary and persistent that they were forced on the attention of the strongest supporters of *laisser-faire*, how can we possibly justify the assumption of new functions which rest upon no better principle than the vague idea that the State ought to do something?

This leads me to observe that not only theoretically but practically signs[1] of a reaction in favour of the old position are rapidly increasing. The experiments already made at playing the *rôle* of omnipotence and omniscience, against which Governments were so emphatically warned by Adam Smith, have begun to bring forth fruit after their kind—thorns that were carefully nursed by the legislature, instead of producing grapes, have produced more thorns and worse thorns.

A principle of the widest application in ethics and politics as well as in economics, which may be described as the principle of formal justice, has begun to operate in a remarkable manner. A Government which lends its powers and assistance to one set of people must be prepared to act in a similar manner in all similar cases. If once this principle is abandoned, governmental action becomes either a matter of chance or depends upon clamour and jobbery. It is wonderful how quickly the human mind discovers analogies in grievances, and how soon one cry leads to another. Microbes are not more rapid and relentless in their multiplication. A plain man may have his doubts

[1] This is the statement that has evoked most criticism. Many of my critics have said that if there is a reaction it is only in theory and not in practice. But in the *first* place I say only *signs* of a reaction. Had the reaction been in full flood I should have chosen some more novel topic, and *secondly*, I insist that the signs are there. In the United States, for example, there is the reaction against the M'Kinley tariff, pensions, and inflation; in Great Britain proposals for land nationalisation, old age pensions, compulsory and universal eight hours' day have not taken practical shape; judicial rents in Ireland and Scotland are already in arrear, and generally the experiment at double ownership in land is a failure. [Since this note was written there has also been the General Election of 1895.]

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about the similarity of triangles and consent to arbitration on the question, but he has no doubt that for the purpose of governmental grants and aids his needs are similar to his neighbour's. And the plain man is right. How can we justify the use of State credit for the purchase of lands in Ireland and fishing boats in Scotland, if we are not prepared to give similar aid to the poor of England who are similarly situated? If we grant judicial rents in the country why not in the towns, and if we fix by law one set of prices why not all prices?

We must not be content with looking at the immediate effects of legislation; we must consider also the secondary and more remote consequences. If a legislator thinks that there are none of importance, let him read a chapter of Adam Smith—in the original and not in the stale pemmican of popular dogmatism. And if he still thinks that every law must be considered in isolation on its own merits, that it is a temporary remedy for a passing emergency, then let him resign his seat in Parliament; he has mistaken his vocation; in the name of common sense and the happiness of the greatest number let him cease to be a legislator and become a policeman.

There is an old fable about the gradual entrance, little by little, of the camel into the tent of the Arab. The British Government—I speak irrespectively of parties, for with the frankness of my old masters in political economy I make bold to say both are equally to blame—the British Government is beginning to find that the camel is getting too far into the tent. The admission of a single ear is nothing to the ad-

mission of the hump, and the knees and the rest of the beast. Now the ear may be interpreted to mean the grant of a few thousand pounds to Scottish fishers, the hump is universal old-age pensions at a cost of some fifteen or twenty millions a year, and for the knees you may take the nationalisation of land at a cost of some two thousand millions, and for the whole beast you have the complete Socialist programme. The conclusion that when the beast was in the Arab was out needs no interpretation.

Let us leave fables for something the exact opposite, namely, taxes. It was a favourite doctrine of the old economist that taxes are a burden and the visits of the taxgatherer are odious. This doctrine also is beginning to reassert itself. The State can do nothing without money, and it generally does things in the most expensive manner. Fortunately in this country we have not yet reached the limits of tolerable taxation, but at the present rate of growth of Imperial and local expenditure we are rapidly approaching those limits. Now, if there is one position that has been firmly established in theory and confirmed by the abundant experience of many nations, it is that excessive taxation is ruinous to a country. We have to consider not only the net proceeds but the indirect cost in all its forms, not only the mere cost of collection, but the effects on industry and on the energies of the people.

It may, of course, be replied that those who demand a large increase of expenditure for public purposes do not propose to tax the poor, but only to take the superfluities of the rich—to take, as it is sometimes said, twenty shillings in the pound from that part of

every income which extends above £400 a year. The certain effect of this kind of taxation would be that in a very short time nobody would have more than £400 a year, and the sources of taxation would dry up just as people had become used to and dependent on governmental assistance.

The general argument may be summarised in the favourite phraseology of the day. The utility of every increment of governmental work rapidly diminishes, and the disutility of every increment of taxation rapidly increases. Both propositions, I may add, were abundantly proved before the language I have just employed was invented, and the old language, if less scientific, conveyed a more emphatic condemnation.

I will conclude by calling your attention to one more position of the classical economists, and one that is the foundation of their whole system so far as they deal with the principles of governmental action. They maintain that even if the State could do something for individuals as cheaply and effectively as they could do it for themselves, it is in general better to trust to individual effort. The decisive consideration is the effect on the character and energies of the people. Self-reliance, independence, liberty—these were the old watchwords—not State reliance, dependence, and obedience. In the matter of pauperism, for example, they teach us to distinguish between the immediate effects of relief which may be beneficial and the effects of reliance on that relief which may be disastrous. They are bold enough to maintain that the conditions of life of the dependent pauper should not be made by aids and allowances better than that of the in-

dependent labourer. They insist on the great historical distinction between the sturdy rogues and vagabonds —who can work and will not—and the impotent poor, the poor in very deed, who cannot support themselves. They look upon the payment of poor rates as they look upon other forms of taxation—namely, as the lesser of two evils; they do not try to persuade themselves and other people that it is a duty which is essentially pleasant. And I confess that I never yet met a man who had the audacity to assert that he enjoyed paying poor rates, but I have known many men who have given of their substance to a far greater extent with a cheerful spirit. It is the compulsion that sticks in the throat, and there is no more instructive chapter in economic history than that which describes the slow, painful processes by which Englishmen gradually adopted compulsory assessment for the relief of the poor. I shall be told that these old economic doctrines are cold and hard and opposed to the principles of Christian charity. The retort is easy: If Christian charity realised a tithe of its ideal, there would be no need for relief on the part of the State. If I, too, may quote Scripture for my purpose I would say: Go to the ant, thou sluggard! It does not take ten ants to relieve another ant, and in this land of ours there are more than ten professed Christians to every pauper.

It is time, however, to bring this discourse to an end, and not to begin a sermon; which, moreover, according to my masters the old economists, is beyond our domain. Yet I shall be bold enough to end with these words of advice: To the student I would say:

Political economy has a vast literature, and you will not find all the good concentrated in the last marginal increment; you must master the old before you can appreciate the new; a portion of truth just rediscovered for the hundredth time by some amateur is not of such value as a body of doctrines that have been developed for more than a century by economists of repute. And to the legislator I would say: Vaster than the literature of political economy is the economic experience of nations; the lessons to be learned from the multitudinous experiments of the past can never become antiquated, for they have revealed certain broad features of human character that you can no more disregard than the vital functions of the human body. Just as Harvey did not invent but discovered the circulation of the blood, so Adam Smith did not invent but discovered the system of natural liberty. And nothing has been better established than the position that legislation which neglects to take account of the liberties of individuals is foredoomed to failure. If they cannot break through the law they will get behind the law. The first duty of the legislator is to take account of the natural forces with which he must contend, and the classical economists have made a survey and estimate of these forces which, based as it is on the facts of human nature and the experience of nations, it would be wilful folly to overlook.

X

OLD AGE PENSIONS *VERSUS* AN OLD COMMANDMENT[1]

IT may, perhaps, in these days of the higher criticism, still be permissible to the devil to quote Scripture for his purpose, but for an economist to use one of the Ten Commandments as a text for a little sermon would surely seem too old-fashioned. I will therefore begin with the theory of evolution, and so bring in my Scripture with suitable apologies to modern science. According to the theory of evolution, we find in existing societies, as in organisms, not only the highest perfection yet attained, but also all varieties and degrees of imperfection—not only survivals of the fittest, but reversions to ancient failures; in brief, we constantly discover even in the most civilised nations a great deal of the "past in the present." Not only do we find a persistence in the types of character of individuals, but a similar persistence in the types of classes and institutions. It is as true to-day as it was in the most ancient times that the poor never cease out of the land. And we may go further and say

[1] *Scotsman*, 12th October 1895.

that to a very great extent the poor of our age are very like the poor of former ages; in poverty as in other things the same causes produce the same effects. Speaking broadly, there have always been, as there are at present, two great classes of the poor: the poor through misfortune and the poor through wilfulness; the deserving and the undeserving; the aged and infirm, and the sturdy rogues and vagabonds. The central problem of poor relief (as shown, for example, in the long series of poor-laws in England and Scotland) has always been to combine assistance in the one case with repression in the other, to diminish distress and at the same time to prevent pauperism. If, then, we discover in the history of pauperism and poverty that in the past certain modes of relief have been both directly and indirectly beneficial, and without any of the disastrous consequences attendant on other modes, we ought to be very careful before instituting any change which might lessen the efficacy of these well-tried remedies. There is no one simple remedy; the causes of poverty are too many and too complex.

There is, however, one great cause of poverty which is dominant in every period—namely, old age. With few exceptions, after a certain period of life, earnings and opportunities for earnings diminish, until there is not sufficient income even for material necessaries. Now for this particular kind of poverty there is one remedy which has been tried almost universally, a remedy to which no objection can be raised except that it is not always sufficient. This remedy is the assistance given by children in the vigour of life to

their parents who can no longer work. This is a kind of mercy that is indeed twice blessed—it blesseth him that gives and him that takes; it is a good thing for the children to make the moral effort to give, and it is only part of the natural honour of old age to receive. The old Commandment, "Honour thy father and thy mother, that thy days may be long upon the land which the Lord thy God giveth thee," only gives a religious sanction to one of the most deeply-rooted social instincts of humanity. It may, of course, be objected by the evolutionist that the tendency of all progress has been towards the disintegration of the family and the lessening of the rights and duties of blood relationship; and no doubt history supports this general principle of individualism; but we cannot apply the principles of independence to those who are by nature dependent—*e.g.* to young children or to old people verging as regards power of work on a second childhood. At the recent meeting of the British Association it was ably contended that it was absurd to attempt to govern nations in the lower stages of development by rules only applicable to highly civilised nations—and the contention found general support. It is only going a stage further to recognise that the most highly civilised nation is an amalgam of nations, and that different principles of legislation must be applied in different cases. And sometimes of necessity and sometimes of choice Governments have recognised this adaptation of principles—*e.g.* in factory legislation, land tenures, etc. Especially has this been the case in dealing with pauperism.

As the law stands at present both in England and

Scotland, children who are able to do so may be compelled to support their parents in case of need. The direct and indirect effects of this law have been admirably brought out in the case of Scotland in the evidence given to the Royal Commission on the Aged Poor by Mr. M'Neill, the Secretary to the Board of Supervision. He shows that in nearly every instance the mere offer or threat of the poorhouse is sufficient to induce the sons, or, it may be, other relatives, to furnish the assistance necessary. It is equally clear that if outdoor relief were offered unconditionally it would be as generally accepted as indoor relief is now refused. Under the present system pauperism in Scotland has steadily diminished with the growth of prosperity; but so far as this particular cause is concerned, this decrease would at once be replaced by an increase if such gentle persuasion were no longer offered to the relatives. It is not the mere acceptance of aid from the State that offends this old spirit of "clannishness," it is only the dishonour in breaking the "old Commandment" that spoils the gift. To extract money from the State, like the converse case of the evasion of taxes, has always been considered highly honourable to the extractor or the evader.

Now the ostensible object of old age pensions to be partially or wholly provided by the State is to do away with any taint of dishonour. But most of the authors of these schemes have recoiled from the obvious objections to universal and adequate State pensions—*e.g.* the direct cost of upwards of twenty millions sterling —and, further, they profess to embody discriminating clauses which it is maintained would counteract any

tendency to pauperisation. The favourite device is to induce people in their youth to contribute a certain sum towards the acquisition of five shillings a week after the age of sixty-five, the inducement being an equal contribution by the State to make up the requisite amount. The first objection to such a proposal is that in essence it amounts to a bounty on a peculiar form of thrift, and economically it is open to the objections common to most bounties. Why should the State artificially encourage this particular form of saving? Why should not equal assistance be given to the working man who insures his life for the benefit of his wife and family, or to him who accumulates a little capital against illness or want of employment, or to another who gives a special start in life to children? And whilst it is plain that the forms of thrift are manifold, it is by no means plain that saving for old age is so much the best as to deserve exceptional treatment. On the contrary, there is a kind of gloomy selfishness about it—something like buying in one's youth a superior coffin, the State (to complete the simile) providing the lid when the time comes, by way of rewarding the foresight of the occupant.

It may be further objected that it is very doubtful if the bounty in support of old age pensions would suffice to overcome the natural disinclination in the case of the very people for whom it is intended. What will appear the present valuation of a favour to come after forty or forty-five years?—and such a meagre favour when (and if) it does come. It is worth observing in this connection that when it is pointed out to the advocates of this form of old age pensions that 5s. a week is not very

much, it is replied that the recipients will in most cases receive help from their children and other relatives. This is Mr. Chamberlain's position, as stated in his evidence before the Royal Commission on the Aged Poor (vol. iii. p. 664, *question* 12,218): "Do you consider that this payment of 5s. a week is sufficient for subsistence? —No, certainly not, unless the insurer has some other means of livelihood. But what I feel, and what I believe would be the result, is that a man having 5s. a week would be a welcome guest in the houses of his friends or relatives, who cannot now entirely afford to support him. He would bring a little addition to the household income, which would enable them to receive him." The principle, it will be observed, is thus admitted that the aged poor ought to receive assistance from relatives, and that without such assistance the pension scheme would fail in its primary object. But, on the analogy of similar cases, it seems probable that the contribution by the State would simply save so much to the relatives, without really increasing at all the comfort of the aged poor themselves; the aid given by the State would so far tend to dry up the aid given by other people.

One other argument may be noticed, which also indirectly supports the old commandment. It is commonly urged that those who have worked all their lives for the benefit of the community ought in their old age to receive support from the community in return. But it may be replied that, apart from the general truth that in civilised societies all industry involves highly complex co-operation, this idea of working for the community must be set down as a pious

fiction. To profess to trade for the public good is, as Adam Smith tells us, an affectation not very common among merchants; and to profess to work for the public good is an affectation not very common among working men; as the former trade for profit, so the latter work for wages. On the other hand, it is abundantly true to say that people are induced to work for wages, not only to satisfy their own personal necessities and inclinations, but also to provide for their families. To bring up children to an age to support themselves, and to fit them for a start in life, must absorb a large part of every working man's income for a considerable time. If, then, the theory of the payment for services rendered is to be made a basis of poor relief, it applies most obviously to the case of aged parents who have brought up their children to wage-earning years. It will be a bad outlook for the country when a plain man comes to believe that his old parents have no claim on him, and will only consider them welcome guests when they bring in two half-crowns every Saturday night—one of their own and one from the State.

In conclusion, it may be pointed out that the object of the present paper has been strictly limited—namely, to inquire into the probable effects of the substitution (so far as it operates) of the principle of reliance upon children for that of reliance on the State. There are, of course, many cases in which the aged poor cannot obtain adequate assistance from any relatives, just as there are still more cases which no scheme of State-aided pensions could touch.

XI

A VOYAGE AROUND AFRICA [1]

It is always difficult to realise the just relations between any science and its application to practical problems. The difficulty is peculiarly great in political economy. Some of its principles can be stated with such clearness and simplicity that they are readily accepted, but this very facility of acquisition often leads to the notion that they are of little value. In ideas, as in things, we are apt to think little of what we get with little trouble; we think most of the things we cannot quite afford, and most also of the ideas we cannot quite understand. In recent years political economy has been enriched by many ideas which are just beyond the margin of ordinary intelligence, and they have been appropriately expressed in language which, indeed, wears the semblance of English, but which is just beyond the range of ordinary usage, and requires an economic dictionary for its interpretation. There are other ideas which are regarded with even more awful admiration, for they demand for adequate expression the language of the higher mathematics.

The natural consequence of this influx of difficult

[1] University of Edinburgh, October 1895.

and strange ideas is that the old principles are thought of little account; they seem as stale and unprofitable as a copy of the Ten Commandments would have appeared to an old Israelite whose heart was set upon a basketful of brand-new graven images. Not that I would for a moment insinuate that the old economic principles are to be looked upon as commands, and still less as commandments; it is quite enough if in their practical form they are placed on the same level as maxims of worldly wisdom or counsels of prudence, or as dictates of common sense approved by the experience of nations.

Now, perhaps, the best way to show the importance and the vitality of these old principles is to give new illustrations of their working—illustrations drawn from actually existing conditions, but different from those with which we are every day surrounded.

It was my lot, for the sake of my health, to start last March on a four months' voyage round Africa,[1] touching at several of the principal ports, and also at Bombay; and although I was not able to take full advantage of my opportunities, certain impressions were forced upon me, which I hope may answer the purpose, I will not say of enforcing, but of illustrating, some of those economic principles which, on account of their simplicity and familiarity, are apt to be disregarded. In order to preserve some kind of method and some sense of proportion, I will take in order the three great agents in production—Nature, Labour,

[1] I beg to offer my best thanks to the owners, captain, and officers of the *S.S. Johannesburg* for their considerate kindness throughout the voyage.

Capital,—and then give a few examples of the influence of law and government.

And first of all as regards the power of Nature in affecting the kind and amount of a country's wealth, one of the earliest truths we meet with in economic literature—it was stated emphatically by John Locke —is the very small proportion of wealth that is fitted for man's use by nature alone. People are apt to suppose that in the tropics nature provides a perpetual feast, and that neither labour nor capital is required in its preparation. But a slight glimpse of tropical regions is sufficient to correct the mistake. Not only are there extensive tracts burnt into desert, but even the banks of the rivers, in spite of the luxurious vegetation, are by nature equally inhospitable. The brushwood is impenetrable without the labour of cutting paths, and just as, unaided, one might die of starvation on the sea in spite of its wealth of fish, so, unaided, one might die in an African forest in spite of all the abundance of the fruits of nature. I shall never forget my first acquaintance with the impenetrable tangle of the banks of an African river; the narrow path where we landed to visit a picturesque spot was as effectually closed as by lofty walls; it was impossible to wander from it through the dense masses of thorny scrub.

And not only in these regions are the gifts of nature less than are generally supposed, but the burdens and obstacles, the pests and pestilences, the scourges and evils wherewith nature torments mankind are worse. It is perhaps not too much to say that in many parts of Africa fever is as common as in

this country a cold in the head. Where nature is left to herself and has a swamp or marsh to work in, fever seems as unavoidable as the heat of the sun. Such, for example, is the case with the finest natural harbour in Africa—Delagoa Bay. It is the only harbour in South East Africa that is not guarded by a dangerous bar, and large vessels can anchor in a wide river that can be entered at any state of the tide. But on either side there is a swamp, and the consequence is that all the resident Europeans are liable to frequent and severe attacks of fever. I may mention —though it anticipates a little the order of procedure which I laid down—that we find in these conditions another illustration of a minor economic principle. Labour of all kinds is dear, and difficult to obtain, the simple explanation being that people will not stay in such a place at the risk of their lives without high pay, and the pay is squandered in riotous living, just as happens on the advent of a great plague.

It was in Delagoa Bay that I was fortunate enough to see an example of those destructive pests that are only found in tropical or semi-tropical regions. As we approached the land we saw what seemed to be a dark brownish cloud moving along the high ground above the shore. It was an immense army of locusts, devouring everything before them.

Before passing from this influence of nature I will give one more instance of its power of a more pleasing character. Within a few years there has sprung up in the middle of South Africa a city which is rich enough to import all the luxuries of Europe and attract adventurers from all parts of the world. From

the first port to the last in South Africa you hear in these days of only one place—this marvellous city of Johannesburg—the actual if not the nominal capital of the Transvaal Republic.

Now there can be no question that this extraordinary upstart in a wilderness of this latest product of civilisation, with all its energies for good and for evil, for virtues and vices, intensified—this mushroom growth is due in the first place purely to an accident of nature, this accident being simply rich deposits of gold that require for full and rapid exploitation the resources of European skill and capital. It is a repetition, with local differences, of Australia and California in the early fifties. In using the expression mushroom growth I must not be understood to imply that the decline and the decay will be equally rapid. On the contrary, as far as one can gather, this region is also highly favoured with the minerals that are the basis of manufactures, and is the centre of a tract well adapted for all kinds of agricultural produce. But the accident of the gold will quicken by generations the natural development of those more solid industries.

Just as nature offers very little ready for man's consumption, so also labour alone, unaided by capital, can make but little impression on nature. This observation, no doubt, sounds very trite and obvious, but for all that it is constantly overlooked. The root idea of socialism in most of its forms is that labour—meaning manual or bodily labour—is the principal agent in the production of wealth, and therefore ought to obtain the greater part of the produce. Just before

I reached Zanzibar the remnants of the "Freeland" expedition led by Hertska had been obliged to return without making a settlement at all — a striking example of the helplessness of labour without capital and skill.

To understand how little labour alone can accomplish, there can be no better plan than to look at the beginnings of industry in new countries that are just being brought under the powers of civilisation. There we can often see side by side a native village and a European town. At Port Elizabeth, for example, one of the principal ports in South-East Africa, I went to see on the outskirts a Kaffir village. It was evident that even as regards the lowest material wants—shelter, clothing, food—labour unaided gives a very poor return, whilst as regards the wants higher in the scale there is no return at all, simply because there is no endeavour. But as the old economists insisted (and as usual their teaching was summarised in an admirable form by Mill) the necessary condition of progress in backward nations is the creation of new wants and new desires. So long as the native races are content with the simple tastes of their forefathers, material or industrial progress is impossible. It is too late in the day to discuss the old theme whether, on the whole, the savage state is not productive of most happiness, for it crumbles away at the touch of civilisation. And it does so not only by war, by disease, by vice in various forms, but by natural economic forces. The savage acquires very readily the desire for money, and for money he is prepared to work. It is only a few years ago since the Zulus threatened to sweep the

colony of Natal into the sea, and they came very near the performance of the threat. It is true their military power was broken, but that alone—in the absence of slavery—would not have driven them into industry, and yet to-day you find them providing nearly all the unskilled labour that is required. They load and unload ships, they run in the glorified perambulators called rickshaws, they act as servants, and, clad in the helmet and tunic of the British policeman, —a remarkable contrast, I may say, in passing to their bare dark legs—they keep the peace among their fellows. You see everywhere the evidences of the old race hostility; for example, a native policeman cannot arrest a white man, and most of the rickshaws have painted on them "for Europeans only," and yet the work of the colony is carried on mainly by native labour. And the real reason lies in the attractiveness of money wages.

It was curious to observe how frequently Europeans who ought to have known better not only failed to see how much they benefited by this desire on the part of the natives for money wages, but constantly spoke as if in some way they, the Europeans, were being defrauded, because they considered the wages of the natives too high. They maintained that a black man could obtain all that he was used to, could satisfy his natural standard of comfort, on sixpence or a shilling a day, or even a penny in some places, and therefore, they argued, he ought not to receive three or four shillings, as he commonly did in working at a ship's cargo. They overlooked the obvious fact that if a black man only obtained as much for unloading a

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ship as for occasionally tickling the ground in a field of mealies, no black man would work as a dock labourer.

This minimum subsistence theory as regards native labour could only be carried out under a system of slavery.

And this leads me to bring forward another illustration of a well-established economic principle, namely, that of all labour, slave-labour is the most inefficient and expensive. The opinion of Adam Smith has been abundantly confirmed that only in the very simplest operations can slave-labour be at all profitable. I had the good-fortune to put into Zanzibar. In the anchorage there were several ships of war—not only British, but German, French, and Italian. One of their principal objects, as I understood, was to suppress the slave-trade between the mainland and the island of Zanzibar. Now Zanzibar, although the Sultan still has some nominal or delegated power, is, to all intents and purposes, as much a part of the British Empire as India. I confess I was amazed when the Consul-General told me that probably nineteen out of twenty of the black people we saw were slaves. I suppose I ought to have known, but by way of excuse I may say that every one retains some childish beliefs, and we used to be taught at school that a slave cannot exist on British soil, or even on a British ship. And it seemed to me, to say the least, illogical and undignified that we should employ our men-of-war to suppress the trade in slaves, and yet openly permit slavery to exist under a branch of our own Government. It is true that the slavery in question is of the kind called domestic—although,

again, that term is so elastic as to cover the labour in plantations,—and it is slavery that has been mitigated by various beneficial laws. Not only are the slaves supposed to be protected against cruelty and ill-treatment, but they cannot be sold, not even on the death or bankruptcy of the owner; they can only descend to the lawful heir in the family, and all children born after a certain date (1890) are *ipso facto* free. It is, of course, plain that these measures with the strict prevention of importation, *if* that is possible, would in process of time put an end to slavery, and *if* the law is enforced the slavery must be of a mild type, but the "*if*," as usual, is a large assumption. And I would go so far as to say, from what I was told, that as regards all the essentials of material comfort, many of the Zanzibar slaves are better off than many free labourers in this country, and they certainly look—those who throng the streets—thriving, happy, and contented. And, further, there can be little doubt that the sudden and immediate abolition of slavery would involve serious difficulties. In the first place, there is the difficulty of compensation to the owners, and compensation must always be adjusted not merely to law, but to expediency. The estates of the Arabs—the principal owners—are heavily mortgaged; besides, there are curious complications in ownership, *e.g.* a slave can himself be the owner of other slaves. Then the revenue of the Government under present conditions is really dependent on slavery. But perhaps the strongest argument against sudden abolition is that the slaves would suffer in their material interests by liberation —they would have to do more work for less real reward, and they would be unable to compete with

the free labour that could be cheaply imported from India. It may seem that in expanding this illustration I have lost sight of the point to be illustrated, namely, the inefficiency of slave-labour; but that is not so. One of the principal British merchants in the island told me that, judging by his own personal experience, he strongly advocated immediate abolition on this very ground. At present, he said, almost the only product was cloves, and, owing to the low price, the island was threatened with ruin. Slave-labour was unfit for a variety of industries, and in reality was most inefficient and expensive. He considered, and probably with justice, that abolition would mean cheap labour, and cheap labour more varied industry. He admitted that there might be some trouble and distress in the period of transition, but maintained that the only road to solid industrial prosperity was through the abolition of slavery.

I cannot leave this topic without adverting to another commonplace of the older economists, namely, that in most essentials the teachings of political economy and of common-sense morality are not opposed, but harmonious. Good economy is good morality. It certainly is so in the matter of slavery. I do not deny that the sudden abolition of slavery may cause difficulties to the Government of Zanzibar for a certain time, and may even give the slaves themselves no immediate increase of happiness or comfort. But we ought to look not only to the present but to the future, and in national policy even to the traditions of the past; and we ought to consider not only the effect in the island of Zanzibar, but in every quarter of

the globe to which British influence extends. And when we take this wider view there can be no question that it is wiser, as it is nobler, for the Government of this country to follow the simple beliefs of its school-children—that under no pretext will slavery be allowed under British dominion—rather than to attempt to save a few thousand pounds and a few years of discomfort by tampering with the principle of freedom in its most obvious form.[1]

This case of slavery leads by a natural transition—strange as it may seem—to the case of a certain class of labour employed on British ships. The connecting link is to be found not, I am glad to say, in the moral but in the physical conditions—that is, there is no question of personal freedom, but simply of personal discomfort and hardship. The case I allude to is that of the firemen employed on steamers in tropical voyages. I think very few people have any idea of the intensity of the labour involved and of the degree of the discomfort. The cause of the whole trouble is, of course, the excessive heat, and the only way to adequately realise its effect is to feel it. Still, indirectly some idea may be formed from other facts. Most passengers, for example, in tropical regions find their cabins so hot that they sleep on deck, and they gasp like fish out of water if there happens to be a following wind. But this heat that seems so burdensome is only the foundation of the heat that must be endured in the stoke-hole and the engine-room, for there there is superadded the heat from the furnaces and the steam. And besides this the firemen have

[1] Cf. *infra*, Essay XII. on *Slavery in Zanzibar*.

not simply to sit still and gasp, but they have to do work that might seem hard on a frosty day in this country. I took the opportunity of personally observing the conditions under which this kind of labour is carried on, and one experience I shall never forget. The chief engineer had invited me to visit the stoke-hole when (as he phrased it) it was really hot. The place we fixed on as most suitable was about the middle of the Red Sea. The Red Sea is generally warm, but early in June we had the further advantage of being directly under the sun. We chose mid-day, partly for the natural heat and partly so that I might see and feel the effects of raking out some of the furnaces, which is done on a change of watch. At the time of our descent the temperature on deck in the shade was about 90°, and I may remind you that the heat of the Red Sea is so notoriously oppressive not so much on account of the absolute temperature, but because of the moisture in the air. In the engine-room there is always greater humidity, and there is no breeze to give relief. You can form some idea—intellectually—of the conditions under which the firemen and engineers work when I tell you that the temperature recorded at the time of my visit was 136°; but mere figures fail to express the effect on the feelings and on the vital strength. The men work four hours at a time, and then get eight hours off, thus working, it is true, only an eight hours' day in two pieces. But I doubt if any labour is marked by greater strain and intensity. I know, for my own part, although I had been in tropical or semi-tropical weather for over three months I found this heat, even for

a short time, overpowering. And besides the heat there is the unceasing clamour of the machinery and the perplexing rush of wheels; there is the pitching and rolling of the vessel; everything that is touched is steeped in grease and coal-dust, and the stifling air is hardly penetrated by the feeble glow of the lamps; and, in a word, every one of the senses—touch, sight, smell, hearing, the very taste—is offended, jarred upon, nauseated. Such is a faint picture of some of the conditions; and there must be no rest, no slackening; the men must burn up their energy as fast as the coals, and must toil with the continuity of machines of iron and steel.

Well, then, it would be only natural to suppose that for work of this kind very high wages would be given, that labour could only be attracted by very high reward. But it is not so. It is true the firemen receive about four pounds a month as well as food and lodging, but, considering the nature of the work, this pay is relatively very low. The life of a sailor is by comparison a life of pleasure, and the sailor receives nearly as much pay.

The reason is simply the reason assigned by Mill and others for the low wages in other employments when the work is of the most disagreeable and arduous kind. Only those will take to such work who are forced by circumstances—who can do nothing else. In the graphic language of the chief engineer, the firemen are "lost souls"; they bring no character, and they require none; the character of the coals is of much greater importance. In many cases they desert, and sacrifice the wages already earned by weeks of toil, for

they are only paid at the end of the voyage; if they complete the voyage, they probably change their ship.

The worst of it is that there appears to be no obvious or even practicable remedy. You cannot raise the wages by law, and even as regards the conditions of work, if the law interferes too much or too expensively you drive trade from the British flag. And yet I think there can be no question that if this kind of work were to become really dear—if the reward were made proportionate to the effort and disagreeableness, and if cheaper foreign labour could not be obtained as a substitute—then, as in similar cases, a stimulus would be given to invention, the work would be lessened, and the conditions would improve. It certainly seems strange that with all the progress of mechanical science the only way to get coal into a furnace is by pitching it in with a shovel, and that with all the improvements in refined luxury for passengers, the hardest work on the vessel should be done under the worst conditions.

It would, however, be a great mistake to suppose that unskilled labour is the chief agent in the production or the transport of wealth. Capital, and those higher forms of labour that are naturally associated with capital, are equally essential, and if a proportion could be assigned where two factors are necessary, the proportion of value would be far greater in capital and skill than in mere manual labour. As regards transport the case is perhaps too obvious to need illustration; every one can see that ships and railroads are forms of capital that require in their construction

and management the highest forms of skill. It was Adam Smith who pointed out that of all improvements in agriculture improvements in the means of communication are the most important. But in this country we are so much accustomed to facilities of transport of all kinds that they seem to us quite natural, and we hardly realise the importance of capital and skill in their origin and preservation. In new countries, however, the evidence is too palpable to be overlooked. Roads—even the worst in Africa are better than none,—railways, buildings, machinery, and, indeed, endless varieties of capital are essential to industrial development. All the unskilled labour in Africa could not make a railway or send across the sea a ton of produce. Perhaps the most impressive instance of the power of capital in the whole of the voyage is to be found in the construction and management of the Suez Canal. This example of the higher forms of industry is the more striking through the contrast offered by the barren desert that meets the eye on every side.[1] I need not remind you that this work has changed the course of trade to the East, and I will not weary you with statistics of tonnage. I will mention one little fact by way of illustration. The average passage through the Canal—as there are no locks, and through the salt lakes a higher speed is attained —is about eighteen hours for ordinary vessels. For this privilege of passage simply—not reckoning any other expenses—the ship I was on paid 30,000 fr., or about £1200.

[1] The gardens at the stations on the banks are very well kept, and make the contrast still more marked.

I will give one other instance of the importance of capital, and this time an example of the *lucus a non lucendo* kind—an example of the effect of capital not being forthcoming in the place and at the time when it is needed. I have already mentioned Delagoa Bay as, perhaps, the finest natural harbour and the most fever-stricken port in Africa. Now I believe there is no doubt that the fever might be conquered—that the place might at any rate be made as healthy as Natal and other East African ports if only capital were expended in draining the swamps. Capital is also required for the construction of the wharfs and buildings requisite for a first-class port. Delagoa Bay is the nearest and the best access by sea to the central country that is being so rapidly developed under the stimulus of the gold mines. A railway to Johannesburg has just been opened, and if the occasion were seized, in a few years Delagoa Bay might become one of the most thriving ports in South Africa; as it is, considering its importance, it is one of the most backward. And the primary and simple reason is that there is not sufficient security and advantage offered to attract the capital (including the skill required in its management).

If we inquire further why capital—contrary to all expectation and experience—does not flow to a place where it is so obviously required, the explanation is as obvious as the fact. It is due almost entirely to bad government, and with a few illustrations on the influence of government I will conclude the last topic I set myself to illustrate.

Delagoa Bay is in the hands of the Portuguese, and Portugal is neither able nor willing to develop its

resources. As a matter of fact, Portugal cannot keep in order the natives in the district, and it is generally believed that but for the respect the natives bear to the British, the whole settlement would have been swept away. The only concern of the Portuguese is to make as much as they can out of taxes and port dues. The trade is in the hands of the British and Dutch, and the capital, with the exception of a railway the Government seized, is in the same hands. The Portuguese have not even the energy to mark with a few buoys the channel that leads to the river, and they make no observations on the shifting of the sands. When a vessel arrives they send out their officials, and leave on board a soldier with a flag. The soldier can speak no language but Portuguese, and apparently does nothing but occasionally run up his flag and eat the meals the ship provides. The Portuguese Government is, in fact, an anachronism, or perhaps one should say a curious survival. No one can fail to be struck with admiration at the audacity and enterprise of the early Portuguese navigators four or five centuries ago. Even now, with towns scattered at intervals along the coast, and with the worst points lighted and marked, there is something almost appalling in passing hundreds of miles—hundred after hundred—of savage desolation. The coast is in general unapproachable through the surf, and the mouth of nearly every river is protected by dangerous sand-banks. Great indeed must have been the courage and energy of those who in small sailing vessels, without chart or sailing directions, not only ventured to explore, but planted settlements that in spite of pestilence and warfare have endured to our own times.

But our admiration for the past makes the present seem still more miserable and backward. Under present conditions the only thing that preserves the Portuguese power is the jealousy of other governments of one another—on a smaller scale Portugal is the Turkey of South-East Africa.

There is another economic problem of the greatest importance in every district of Africa that Europeans have taken possession of—viz. the problem of native labour. A policy of extermination—direct or indirect—would not only be immoral, but, as regards industry, suicidal. But if the natives increase and multiply, and gradually become accustomed to European methods and ideas, on what principles is the government to be carried on? I venture to think—relying not on the casual and imperfect observations I could make at various ports, but relying rather on the results of the history of great colonising nations—I venture to think that the policy of simple repression and of affected racial superiority must be soon abandoned.

Europeans have, and must have for a long time, great advantages over the natives, for they possess in most cases nearly all the capital, skill, and training, whilst the natives can only offer unskilled labour. Now the best policy from the economic standpoint is to make this labour as efficient as possible, and the way to make labour efficient is to improve the conditions of labour and to raise wages in proportion to the improvement in the work done. I do not say that subject and inferior races ought to be at once, or even ultimately, entrusted with political power, or even with the administration of justice; my argument is

purely economic, and it rests on the broad principle of the exchange of services. The only right now recognised by civilised nations of one man over the labour of another is founded on contract, and if Europeans are foolish enough to offer as part payment of black labour vexatious and harassing regulations, open contempt, and underhand fraud, they must expect a corresponding discount in the efficiency. The only special interference on the part of Government that seems desirable is of the same kind as that practised in this country in the laws affecting employment in mines and factories, the truck system, and the like—legislation that is conceived in the interests of the workers. Laws that are merely intended to cast a stigma on race are economically unsound; they cause unnecessary friction, and in the end may destroy the industrial system.

It is pleasant, in conclusion, to give an example of the good government of subject races, an example that is too well known to require elaboration, but one that can never fail to impress any one who comes in practical contact with it—I allude to the government of India.

It is impossible to visit any large city or pass through any populous district in India without being struck by the extremely small proportion of the British to the native population, and the comparatively slight display of British military force. This seems all the more wonderful if we remember that the Christian religion has hardly touched the outermost fringe of native society, and that the masses of the people still cleave to the religion and moral notions of

their ancestors, and those notions are of the most varied and conflicting kinds. How, then, comes it that a mere handful of British can govern with content millions of people altogether so different by race, creed, manners, and customs? There can be no question that the principal and the sufficient reason is that the British Government in the administration of justice provides that elementary security which is the foundation of the economic prosperity of every nation. British justice commands the respect of the natives because they feel assured that it is free from any taint of corruption. The members of the Indian Civil Service, by simple straightforward honesty of purpose, that fortunately is so common, so universal, that it is never noticed, create a feeling of loyalty to the Crown, of obedience to the laws, of content with their state that could never be engendered by all the regiments of Russia. In the course of this long voyage there were many things calculated to arouse a feeling of patriotism and admiration for the courage and energy of those who have built up the British Empire. The frowning barren rocks of Aden and Gibraltar that guard the entrance to two great seas must always strike the imagination with a sense of our naval supremacy, but greater still is the effect of observing that British ships cover more than half the tonnage of the world. And to sail round a vast continent and to realise that most of the great lines of development are already, or by the natural growth of wealth and population must eventually come, under the dominion of the British race offers to the mind a gigantic picture of the expansive powers of our industry and

commerce; but more impressive still is the knowledge that by simple justice and personal uprightness a few British magistrates can rule in contentment the millions of the varied races and peoples of the ancient civilisation of India.

XII

SLAVERY IN ZANZIBAR[1]

THE short visit I recently made to Zanzibar certainly gives me no claim whatever to express an opinion on the condition of the slaves in the island, and I am ready to admit that such casual visits to foreign places often give rise to wrong impressions. But seeing that Zanzibar is from many points of view—historical, political, ethnical—one of the most interesting places in the world, it is only natural that any one who has the good fortune to go there should give more attention than the man in the street to the official correspondence presented to Parliament last April. As the action of the Government on the question of the immediate abolition of slavery may be largely guided by this correspondence, it deserves careful examination, and the criticism that follows is based on these documents, and not upon totally insufficient personal observation. In fact, if I were to simply record my own impressions, I should say that I never saw a more happy populace, and in confirmation it is interesting to quote the official statement of Mr. Rodd (*Correspondence*, p. 17):—"As regards the town slaves of

[1] Written November 1895.

Zanzibar, I think no one can fail to be struck with the gaiety and lightness of heart that characterises this population. A gloomy face is the exception, certainly among the women, and no one who has assisted at their dancing and singing clubs would come away with the impression that the yoke of servitude oppressed them." It may be admitted also that, as regards material comfort and general well-being, the domestic slavery in question, at any rate in many cases, does not involve any of the horror usually associated with slavery. "The work they have to do," continues Mr. Rodd, "is not onerous for the most part, and that done, there is no interference with their liberty of action. Those not actually employed in the family circle of the master engage in any employment that offers, many of them going as domestic servants into other families, the only obligation then remaining towards their owners being the payment to them of a certain proportion of the monthly wages. In return for this the master is under the obligation of caring for them when sick, and providing for them when too old to work. There exists, therefore, a tie of mutual self-interest, which long association has frequently moulded into one of affection." From the same evidence it appears also that voluntary emancipations are frequent, and that this tie of affection remains unbroken; and cases are recorded in which a slave liberated through Europeans has brought back the free paper, saying that he would rather not have it, "for who then," he asks, "will look after me when I am sick, and provide for me when I am old?" Mr. Hardinge, the present Consul-General, also shows in an elaborate way that slavery

in Zanzibar, as in other Moslem countries, rests upon religious law, and enumerates the various customs and regulations by which the slave is protected against cruelty and ill-treatment. Mr. Hardinge further lays great stress on the fact that if the existing decrees can be enforced, slavery must in a few years be completely abolished; for example, slaves cannot be lawfully imported, and any persons born after 1890 in Zanzibar and Pemba are born free. As the average of life does not appear to be long, it is plain that these two regulations alone would put a stop to slavery in a comparatively short period. At the same time he argues very strongly that immediate abolition would involve the island in grave difficulties, both social and economic, and would also seriously embarrass the finances, and thus the powers of the Government. In these arguments he relies to a great extent on the opinion of General Sir Lloyd Mathews, who, through his long connection with the Government of the Sultan, knows more about Zanzibar than any other European. Well, then, the question naturally arises: Why should we run the risks pointed out by authorities on the spot for a very doubtful advantage? If the evil will gradually die away with the present generation without social disturbance, why for a mere doctrinaire principle should we upset the greatest happiness of the greatest number?—for the authorities maintain that the slaves themselves will be the sufferers. Mr. Stanley, for instance, in the debate in the new House of Commons, boldly maintained that we ought to leave the matter to the people on the spot, who understand it in all its bearings.

It is precisely against this doctrine that I venture to protest, and, on the evidence of the official correspondence itself, to advocate immediate abolition. As regards the opinions of the Zanzibar authorities, they are apt to lose sight of broad principles in a maze of practical difficulties, and through their very familiarity with the evil. General Mathews is, no doubt, an able military administrator, but he was described to me in words which in a sense are highly complimentary, as being "more Arab than the Arabs." Mr. Hardinge, again, whose distinguished career entitles his authority to the highest respect, must inevitably lay great stress on the financial difficulties of the Government. I proceed to notice briefly his arguments against immediate abolition :—

(1) There is the implication, if not the express assertion, that slavery, being in accordance with the Mohammedan religion, does not seem so grievous to the slaves as to us, and that we ought to tolerate it in the meantime, just as we tolerate other religious customs in India, and await its gradual abolition with an even mind. I reply that the phrase religious toleration will no more cover slavery than it will cover human sacrifices. If we cannot govern Zanzibar except on Mohammedan principles of this kind, it is better to leave it altogether. Europe has had enough of Mohammedan economics in the dominions of the Sultan of Turkey.

(2) Mr. Hardinge assumes, on the authority of General Mathews, that in the event of immediate and effective abolition, three-fourths of the whole body of slaves would abandon their work, and that after a very

few months the great majority of the clove and other plantations would go out of cultivation. But the slaves must do some kind of work to obtain a livelihood, and it is a matter of experience that hired labour is always more efficient than forced labour.

(3) Mr. Hardinge assumes that if the present decrees are enforced, slavery will disappear in about fifteen years. But it is perfectly plain, from the figures given, that the law against importation has never been adequately enforced, and never will be, so long as slavery is permitted. All slave countries rely on importations, and these importations cannot be prevented.

(4) Mr. Hardinge puts down the loss of revenue, owing to the supposed diminution of the clove cultivation, at £26,000, and the increase of expenditure at £20,000, and altogether estimates the probable deficit at £35,000 a year. In the first place, it may be replied that no country can flourish under slavery, and that with free labour the revenues would increase; and, secondly, if the British Empire will not spend the paltry sum required for compensation and for enforcing the law, it is unworthy of its position. We think nothing of spending millions in punitive expeditions for an insult to our flag or the occasional murder of a missionary, and shall we grudge a few thousands to take away the reproach of conniving at slavery?

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Printed by R. & R. CLARK, LIMITED, *Edinburgh*